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roblems of Economics

Selected Articles from
Soviet Economics Journals in English Translation

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VESTNIK MOSKOVSKOGO UNIVERSITETA, SERIIA EKONOMIKI – JOURNAL OF MOSCOW UNIVERSITY, ECONOMIC SERIES
VESTNIK STATISTIKI – JOURNAL OF STATISTICS
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Nauchnye Doklady Vysshei Shkoly,
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KOROVIAKOVSKII:

e New Government Purchase Prices and the Development of llective Farm Production*

enin's propositions on the role of commodity money relationships in the economic interrela- s of town and country, of the working class and peasantry, are of great significance in the pe- of gradual transition from socialism to com- ism. As practical experience has shown, the of commodity and money relationships does diminish in this stage; rather it increases con- rably and this helps to accelerate the develop- t of the country's productive forces.

ne of the manifestations of the increasing role ommodity and money relationships in the eco- ic ties between town and country in the USSR e present stage of development is the transition e new system of state procurements of agri- ural products at a single scale of purchase es. The consequence of this has been a further forcement of the principle of material incen- s to the collective farms and farmers in the lopment of their jointly-operated economies. e Plenum of the Central Committee of the CPSU eptember, 1953, provided the basis for strength- g the principle of material incentives in the sys- of state purchases and procurements of agri- ural products. The establishment of economi- valid prices for collective farm products is ming an ever-greater stimulus in the system rocurements. Of particular importance in re- cing and advancing the principle of material ntives to collective farmers in the development cialist agriculture is the reorganization of the hine-tractor stations and the sale of their farm hinery to the collective farms. A logical de- oment of this measure was the repeal of com- ory deliveries and of payments in kind for work by the machine-tractor stations, and the con- ion to a system of agricultural procurements in the form of state purchases at a single scale of purchase prices. All this has led to an extension and reinforcement of commodity and money relationships in the economic ties between town and country, between the government and the collective farms.

The role of commodity and money relationships in the economic ties between town and country will rise with the expansion of agricultural output and the strengthening of the collective farms. At the Plenum of the Central Committee of the CPSU held in December, 1958, Comrade N. S. Khrushchev noted that the advance to communism and the development of commodity relationships do not contradict one another.

The Plenum held in December, 1959, noting that the objectives of the Seven-Year Plan in the field of agriculture are being successfully fulfilled, emphasized, however, that in working out measures for each collective farm, state farm and district, the primary objective is the discovery and mobilization of reserves for the purpose of increasing agricultural production.

The development of commodity and money relationships makes possible a more precise calculation of the expenditures of labor and funds per unit of collective farm output, a significant improvement in the distribution of differential rent between the collective farms and the government, and a determination of the scale of accumulation.

An economically valid system of prices is a stimulus to cost reduction, to the introduction of cost accounting, and a most important condition for conversion to guaranteed cash payments for the labor of the collective farmers. Under socialism the price system is also used as an effective means of strengthening the economic ties between town and country, and as one of the methods of raising the living standards of the working people. The establishment of economically valid prices for

sed on the experience of Ukrainian collective s.

industrial and agricultural products is among the most important problems of the socialist economy. In its decisions the Soviet Communist Party has repeatedly pointed out that a number of economic and, consequently, political problems converge in the price problem. These problems include: the relationship between value and price, the relationship between cost and price of production, problems of accumulation, and the utilization of the principle of material incentives to strengthen the alliance between the working class and the peasantry.

In establishing economically valid prices for agricultural produce we must take into consideration the effect of the fundamental economic law of socialism, the law of planned, proportional development of the economy, the law of distribution in accordance with labor, the law of value, and so on.

In establishing prices for agricultural products the Communist Party and the Soviet government consider the average level of economic development of the majority of the collective farms. The price must cover not individual, but social expenditures of labor. The more rational the operation of the collective farm, the higher the productivity of labor and the lower the cost, the higher will be the money income received by the collective farm.

Although value is the basis of price, the purchase prices for collective farm produce need not necessarily correspond to value. Under the conditions of socialism, deviation of price from value is realized in a planned fashion in the interests of the socialist society as a whole. This is of enormous significance to the economy, for it is through the medium of purchase prices that the state acquires a portion of the net income of the collective farms for the purposes of meeting national needs. However, the divergence between price and value must be economically valid and purposeful, and must influence only the redistribution of a portion of the net income. In this connection it must be emphasized that the purchase prices must in all instances be higher than the average cost of production of agricultural output.

The process of pricing collective farm produce must take cognizance of the problem of maintaining proper proportions in the development of industry and agriculture and, within agriculture, among its individual branches.

The establishment of purchase prices bears a definite relationship to the process of fixing prices for industrial output. The prices set for agricultural products and raw materials must be closely tied to the prices of means of production (tractors, combines, fuel, fertilizer, spare parts, building materials, etc.) and consumer goods. In many respects the relationships among these prices determine the overall rate of accumulation in ture. This problem is particularly important present circumstances in connection with the organization of the machine-tractor stations a the problem of increasing the material and cul living standards of the collective farm populat

In establishing prices for collective farm pr ucts it is necessary to consider not only the so cially necessary outlays of labor, but a whole series of other factors: the need to create mo favorable conditions for the production of part lar crops, price relationships among various t of products, the concrete conditions existing i given agricultural zone, the volume of product and the prospects for the development of indus and public demand for particular types of food products and raw materials.

Considerations of profitability play an impor role in determining the prices of agricultural ucts. In order for a price to stimulate a conti rise in agricultural production it must assure necessary level of profitability in the various branches of agricultural production and in the tire collective farm functioning under average marginal conditions.

A most important principle in the creation o price system for collective farm products is t of promoting the specialization of socialist ag ture in accordance with the specific natural a economic conditions of the various districts o country. In determining the economic validity the specialization of the collective farms in va ous zones of the country, it is necessary, as w know, to proceed according to the principle of taining the maximum quantity of high-quality a cultural products with the minimum expenditu of labor and funds per unit of output. It was n by the 21st Congress of the CPSU that the pla and execution of government purchases of agr cultural products must be most closely tied to proper distribution of agricultural production among the various zones and districts of the c try, with due regard for the natural and econo conditions prevailing there. (1) In this connec is clear that a given crop cannot be equally pr ble everywhere.

The extent to which prices influence agricu production varies greatly not only in various of the country, but also for individual product which may differ in the degree of their marke bility. Stimulation of the development of som ticular crop under the conditions of socialist culture is reflected in the price system, whic should stimulate expanded reproduction in the lective farms to the maximum degree.

The considerable rise in procurement price

ally all the products of agriculture and live-
k raising has played an important, positive
in assuring a sharp expansion in agriculture,
creasing the procurements of agricultural prod-
and in strengthening the economies of the col-
ve farms.

wever, the multiplicity of prices led to a situa-
in which the average price level for collective
output was dependent upon the relative shares
e various marketing channels: compulsory de-
ies, state purchases, advance contracts, or
through collective farm markets. In the case
onomically strong collective farms the share
les of marketed output through state purchases,
acts, and on the collective farm market was
iderably higher than in the case of average and
cularly weak collective farms. Consequently,
verage selling price was also higher. The
ence of procurement, purchase and contract
es, all of which differed considerably from each
, as well as the large premiums paid for in-
rial crops, tended to provide maximum stimulus
e economically developed collective farms. As
nsequence, the gap between the conditions faced
e advanced and the lagging collective farms be-
e even greater. Thus, in 1957, Ukrainian col-
ve farms received premiums of 1,160,000,000
es for flax fiber delivered to the state, the
iums themselves constituting 70% of the entire
paid by the state for this product. On the aver-
the collective farms were paid 2,387 rubles per
ner of fiber delivered to the government, of
h 727 rubles constituted the base rate, and 1660
es the premium. Thus, the premium was more
twice as large as the base rate. In some col-
ve farms the share represented by the premium
even larger. Thus, the Moskalenko Collective
n in Novobuzskii District of Nikolaev Region
ived more than six times as much money for
emp seed delivered above plan that it did for
lanned volume.

nilar examples may be adduced not only from
eld of procurement of industrial crops but also
ther agricultural products. Thus, for example,
57 the Shliakh Lenina Collective Farm of Khar-
district — one of the most advanced and eco-
cally strong in Kharkov Region — delivered 67
ers of meat in the form of compulsory de-
ies and sold 530 centners at purchase prices,
exceeding planned meat sales by seven times.
ollective farm received 360,900 rubles for
eat delivered and sold. The average selling
was 604.5 rubles per centner. The collective
made compulsory deliveries of 267 centners
lk and sold the government 3,857 centners, re-
ng a total of 554,700 rubles, so that each
centner of milk cost the government 134.5 rubles.

The Kalinin Collective Farm of the same district, making compulsory deliveries of 145 centners and selling 132 centners of meat at purchase prices, received 118,200 rubles. In addition, the collective farm made compulsory deliveries of 565 centners and sold 701 centners of milk, for which it received 129,200 rubles. The average selling price per centner of meat was 426.7 rubles, and per centner of milk 102 rubles. Consequently, the Kalinin collective farm received 177.8 rubles less per centner of meat delivered and sold to the government than did the Shliakh Lenina farm, and 32.5 rubles less per centner of milk.

In establishing differing price scales for agricultural products and raw materials, the intention was to reward farms for increases in the production, delivery and sale to the government of grain, meat, milk, wool, potatoes, vegetables, cotton, sugar beets, etc. In the early period of its use this price system stimulated agricultural production and strengthened the economies of the collective farms. But no sooner had agriculture overcome its lag and begun to develop at higher rates than collective farm income came to reflect primarily the high levels of premiums and purchase prices.

The June, 1958, Plenum of the Central Committee of the CPSU, acting upon the new situation that had arisen in socialist agriculture adopted its resolution "On Repeal of Compulsory Deliveries and Payment in Kind for MTS Services, and on New Procedures, Prices, and Conditions for the Procurement of Agricultural Products." The Council of Ministers of the USSR approved the new purchase prices for agricultural products; the prices were differentiated for the various union republics, zones, grades, strains, and season of purchase.

The former procurement and purchase price provided very little differentiation for the various parts of the country. This is explained by the fact that to some degree the government had taken into consideration the differences in the income possibilities of collective farms on the best and poorest lands by establishing different scales of charges for the work done by the machine-tractor stations and different compulsory delivery quotas. However, due to the high purchase prices and the premiums added to procurement prices for industrial crops, in a number of cases the state not only did not recover for the needs of the people at large part of Category 1 differential rent from collective farms functioning under more favorable natural conditions, but actually overpaid them for their farm produce.

The new purchase prices have a sounder economic basis than the former ones. They are

based upon the average zonal production cost of each type of farm produce. The purchase prices have been set by zones so as to assure both that the costs of production will be covered in the majority of the collective farms in the various zones, and that the necessary accumulations will be derived for expanded socialist reproduction. Regulation of the income levels of collective farms operating under the best and the poorest conditions, both with respect to land quality and to location relative to markets, procurement points, railways, etc., is now effected chiefly through the new system of purchase prices for agricultural produce. It is the introduction of new purchase prices diffe tiated by zones that has created the conditions the acquisition, by the socialist state, of a por of the net income in the form of Category I dif ferential rent, which is produced by the collect farms operating under the best natural conditi

Let us examine the purchase prices from the viewpoint of their differentiation by geographic zones, seasons, grades, and types of items pro cured. The differences in the levels of the uni purchase prices for grain among the various c stituent republics are evident from the followi table.

Table 1

Purchase Prices for Grains Sold to the State by Collective Farms*
(Rubles per Centner of Grain of Standard Quality)

Republic	Soft wheat	Rye	Millet	Oats	Feed barley
RSFSR	77	76	77	50	62
Ukraine	67	64	67	45	52
Moldavia	67	64	67	45	52
Kazakhstan	71	65	70	45	53
Kirgizia	76	72	76	45	60
Uzbekistan	80	75	80	45	55
Tadzhikistan	80	75	80	45	55
Turkmenia	80	75	80	45	55
Georgia	80	75	80	45	55
Azerbaidzhan	80	75	80	45	55
Armenia	80	75	80	45	55
Belorussia	85	85	80	65	75
Lithuania	85	85	80	65	75
Latvia	85	85	80	65	75
Estonia	85	85	80	65	75

* See Sobranie postanovlenii pravitel'stva Soiuza Sovetskikh Sotsialisticheskikh Respublik, 1958, No. 11, p. 282.

Relatively low grain prices are set for the collective farms of the Ukraine and Moldavia, where the conditions for grain production are most favorable, yield is higher and cost is lower, while the highest prices are set for Belorussia and the Baltic republics, where the natural and climatic conditions are the least favorable.

It should be noted that in the republics where natural and economic conditions are not uniform, a number of price zones have been established. Thus, procurement prices for grain in the Ukraine are scaled on the basis of four different zones. (2) The new purchase prices for grain crops sold to th government by collective farms in the Ukrain SSR are substantially more widely differentiat zones within the republic than the compulsory livery and purchase prices in effect until 1958 Many regions are themselves subdivided into zones (Lugansk, Vinnitsa, Khmelnitskii, Lvov Rovno, Volynsk, Stanislav) or even three (Kie Cherkassy).

This division of the districts of a republic i zones is desirable, for it makes a considerab better allowance for the natural and economic

erences between different regions and districts in the region, and facilitates the strengthening ne economy of collective farms operating under paratively poorer natural conditions for the development of the economy. The following data indicate the degree to which purchase prices for grain crops differ among the zones of the Ukraine.

***

Table 2

Differentiation of Purchase Prices for Grain Crops Sold to the State by Collective Farms in the Ukrainian SSR
(in % of 1st-zone prices)

Zones	Soft wheat	Rye	Millet	Oats	Feed barley
1	100.0	100.0	100.0	100.0	100.0
2	106.0	117.2	107.7	100.0	108.9
3	118.2	120.7	115.4	111.7	133.3
4	128.8	138.0	130.7	128.0	147.0

he lowest purchase prices for grain crops are e for the 1st zone, for this is where condi- s are most favorable for grain production. In 4th zone, consisting chiefly of mountains, hills and wooded areas, where the conditions for n production in the Ukraine are poorest, the est procurement prices have been established. se exceed 1st-zone prices by the following per- ages: soft wheat — 28.8%, rye — 38%, millet — 30.7%, oats — 28%, feed barley — 47%.

The new purchase prices for grain crops established for the collective farms of the Ukraine and for the country at large are considerably higher than the former compulsory delivery prices but somewhat lower than the voluntary sale prices prevailing until 1958. This may be illustrated by employing Kharkov Region as an example (see Table 3).

Table 3

New and Former Procurement Prices for Grain Crops
(Rubles per Centner of Grain of Standard Quality

Crop	Former prices		New purchase price	Difference between new purchase price and former prices	
	Compulsory delivery	Purchase		Compulsory delivery	Purchase
Soft wheat	25	85	66	+41	-19
Rye	20	65	58	+38	- 7
Millet	25	85	65	+40	-20
Oats	13	40	43	+30	+ 3
Feed barley	15	50	51	+36	+ 1

e new purchase price for grains (1st zone) is, e average, three times as high as the previous ulsory delivery price, although for soft wheat, nd millet it is a little lower than the old purchase price. The purchase prices now in effect are considerably higher than the compulsory delivery prices for grains prevailing prior to 1953. For example, in Zone 1 of Kharkov Region

the purchase prices are higher than the compulsory delivery prices in effect until the September, 1953, Plenum of the CPSU by the following amounts: wheat – 6.4 times, rye – 9.1 times, millet – 11.4 times, oats – 8 times, feed barley – 8.3 times.

The new prices for livestock products reflect value to a considerably higher degree than the old. The former compulsory delivery prices did not cover the costs of production, and the relationship between prices for livestock products (such as meat) and other types of agricultural products (such as potatoes) did not stimulate the collective farms to feed cattle on fodder crops. It was more profitable to the farms to sell these products to the government at purchase prices than to employ them to stimulate livestock farming. Thus, one kg. of pork required the feeding of about 18 kg. of potatoes which were worth nearly 6 rubles in most areas at compulsory delivery prices and 9 rubles 50 kopecks at purchase prices. But in Zone I the purchase price for meat pigs was 6.7 rubles per kg., in Zone II it was 7.2 rubles, and in Zone III 7.7 rubles. Consequently, the purchase prices did not cover the collective farms' expenditures for fattening their pigs, not to speak of other expenditures. It is clear that this relationship between prices for pork and potatoes hindered the development of hog raising in the areas in which it was based upon potatoes as hog feed (Belorussia, Latvia, Lithuania, Estonia, and other areas).

In this connection, the new purchase prices for cattle, sheep, pigs and fowl were established everywhere at levels considerably higher not only than the former compulsory delivery prices, but also higher than the old purchase prices. There can be no doubt that this significantly increased the material incentives for the collective farms and farmers with respect to the development of livestock raising and constituted a new and powerful stimulus in the struggle for cost reductions in livestock products. In the Ukraine the average purchase prices for cattle (fed to average weight) were set at nearly 4 times the level of the existing compulsory delivery prices and 38% above the old purchase prices, the respective figures for sheep being 240% and 25%, pork pigs – 110% and 12%, bacon pigs – nearly 100% and 18%, and lard pigs – 60%.

Today the relationship between the purchase prices for crops and for livestock products is an economically more valid one. It has become profitable to feed potatoes to produce pork. For example, in order to produce 1 kg. of pork, one must feed 7 rubles 20 kopecks worth of potatoes, while the new purchase price for pork in Belorussia and and Baltic states is between 9 to 12 rubles per kg.

Experience shows that the most profitable kin of pig farming is that which involves feeding fo production of meat. The cost of a centner of in creased weight for this purpose is 20% lower th when pigs are raised for semi-lard purposes. Meat pork not only involves lower costs than se lard or full lard pork, but is in greater consum demand. All this indicates the advantages of raising pigs for meat.

However the former compulsory delivery and purchase prices encouraged the fattening of pig to the lard and semi-lard conditions rather tha meat. Until 1958 the compulsory delivery and p chase prices for bacon and fat pigs were set co siderably higher than for meat pigs. For exam in zone II the purchase prices for bacon and lar pigs were nearly 40% higher than for meat pigs Since 1958 this spread has been considerably re duced. For example, in the Ukraine the averag purchase prices for fat pigs are only 5%, and fo bacon pigs only 25.3%, higher than for meat pig The Baltic republics have long since specialize in the production of bacon, and therefore in the areas, as in Belorussia, the prices for bacon p were set 44.4% higher than for meat pigs. A m rational relationship has been established amon the prices for various types of livestock produc Whereas formerly the compulsory delivery pri for fat pigs were 3.2 times those for cattle, and the purchase prices were 140% higher, the pres purchase price is only 40% higher.

The purchase prices for potatoes, vegetables and other products, like the procurement procedure, are such as to improve the supply of th highly nutritive products to the population of ou cities and industrial centers.

Whereas the procurement prices formerly in effect for early potatoes delivered prior to July 31 were more than twice as high as for late po tatoes, and 21% higher when delivery was in th second half of August (the data pertain to Khar Region), today early potatoes delivered by coll tive farms to procurement points are paid for 30% under the retail prices in effect at the site delivery. The following example will indicate advantageous this is to the collective farms.

When potatoes are delivered in the second ha of August the collective farms are paid at leas 70 rubles per centner whereas under the forme schedule they would have gotten only 40 rubles Consequently, the new procedure for the sale c early potatoes is a powerful stimulus to produ tion and to supplying the population of the town and the industrial centers.

Purchase prices for late vegetables have be set considerably higher than the former

pulsory delivery prices but somewhat lower the old purchase prices. The new purchase es for early vegetables are from 2 to 3.5 times igh as the compulsory delivery prices in effect 1953. They considerably reinforce the mate- incentives for collective farms to grow and early vegetables to the government. Potatoes, tables (grown under glass, early, and late), melons delivered by collective farms directly tores, public eating places, and urban ware- ses, regardless of haulage distance, are paid at 15% under the retail price; potatoes delivered n December to March — at 10% under this price, in April and May — at 7% under this price.

ne single scale of procurement prices, dif- ntiated by zones, creates identical conditions the sale of produce by all collective farms. At sent the money income of collective farms de- ls exclusively upon the volume of sales to the rnment and the reduction of production costs. new purchase prices make possible an even ter utilization of the principle of material in- ives and its extension to all branches of collec- farm production.

ne conversion to uniform purchase prices for n products has led to a considerable increase ne money incomes of the average and, particu- y, of the backward collective farms. The gross ey incomes of the country's collective farms 131.8 billion rubles in 1958 as against 95.2 bil- rubles in 1957 (3), i.e., an increase of 38.4%. 959 the money incomes of the collective farms eded 140 billion rubles. (4) During the last years the increase in money incomes alone lled the entire sum of the money incomes of collective farms in 1953. Simultaneously with ncrease in money incomes there was a sharp in the proportion of their income coming from of produce to the state. Thus, for example, the ey incomes of the collective farms of Kharkov on from the sale of produce to the state and to eratives comprised 33.0% of their gross money me in 1952, 78.5% in 1957, and 83.5% in 1958. The indivisible assets of the collective farms rose sharply. The portion of cash income to build up the indivisible assets rose from illion rubles in 1953 to 30.3 billion in 1958, h exceeds by 50% the money incomes of the ctive farms in 1940 and is considerably great- an their indivisible assets in that year. As a equence of the increase in agricultural produc- and the rise in procurement prices, the money ne and the income in kind of the collective farm ntry from their joint and individual operations by 85% per employed person from 1950 to 1958 lated in comparable prices.

Prior to 1958 the procedure for adjusting the structure of prices for agricultural products usually involved increasing the former compulsory delivery and purchase prices. This was of great significance for increasing the money incomes of the collective farms and for improving the living standards of the collective farmers. However, further increases in the purchase prices of agricultural products is not desirable, for it will not stimulate the development of collective farm production from its own sources. The only proper and rational method of increasing the incomes of the collective farms and farmers is now that of constantly and steadily increasing the volume of gross and marketable production, and reducing production costs at each collective farm and at all enterprises in socialist agriculture.

"Collective farm incomes," said N. S. Khrushchev at the December, 1958, Plenum of the Central Committee of the Party, "should rise not by increasing the prices of agricultural products but by a sharp increase in the output of products per individual working in the collective farms, by an improved organization of labor and a rise in its productivity. Only on this basis is it possible to achieve a real increase in the incomes of the collective farms and in the payments to the collective farmers working therein. This is the true and socialist road which leads to a further rise in the incomes of the collective farms and an improvement in the living standards of the collective farmers. It corresponds to the interests of the people at large. The volume of products will rise and their production costs will drop, whereupon the state will be able to reduce purchase prices and, on this basis, cut retail prices, so that the working people will be in a position to buy more products for the same ruble." (6)

A very important conclusion follows from this. The further approximation of purchase prices to the value of farm produce will take the form not of an increase in prices, but of their reduction due to a rise in labor productivity and a reduction in costs. The role of the purchase price as a stimulus to collective farm production will rise in accordance with this.

A rise in labor productivity and a reduction in costs of production constitute the central problem in the further development of the socialist agricultural economy. In recent years there has been a considerable increase in labor productivity in agriculture. In the collective farms it has risen by 72% in the period from 1950 to 1958. In 1958 the level of labor productivity in the collective and state farms of the Ukraine was 185-186% of the level achieved at the beginning of the preceding

Five-Year Plan. (7) The cost of collective farm products in the republic diminished considerably during the last three years: that of grain by approximately 50%, that of corn by 2.4 times, that of sunflower by 1.7 times. (8) The cost of sugar beets, milk, pork and other products has also been cut. However, the level of agricultural costs is still high.

In many collective and state farms the cost of livestock products exceeds not only the purchase but also the retail price. In the collective farms of Kharkov Region the outlays of labor and funds for the production of livestock products are considerably higher than the purchase prices. Thus, in 1958 the cost of 1 centner (live weight) of beef was 651.13 rubles, of pork — 931.57 rubles, of mutton — 570.15 rubles, of fowl meat — 1062.31 rubles, of wool — 3541.2 rubles, of milk (thousand liters) — 1270.86 rubles, and of eggs (thousands) — 713.57 rubles. (9) The principal cause of this high level of production costs is to be found in the inadequate mechanization of labor-consuming processes in the livestock departments of farms, as well as the high cost and uneconomical expenditure of feed.

The most advanced collective farms have already made livestock farming a high-income branch of the economy. Thus, the collective farms of Vinnitsa District, Vinnitsa Region, received 3 million rubles of net money income from livestock farming in 1958, whereas collective farms in Tyvrovo District, which is immediately adjacent, operated at a loss in this branch of their operations. In Vinnitsa District the cost of 1 centner of increased weight of beef was 267.0 rubles, of pork — 541.0 rubles, of milk — 50.4 rubles, whereas in Tyvrovo District the corresponding figures were 577.8, 1,268.5, and 101.7 rubles (10), i.e., twice as high. Given economical expenditure of feed and funds, a high concentration of livestock farming, and the introduction of modern equipment, the majority of the collective farms of the Ukraine can produce meat at a cost of no more than 450 to 500 rubles, and milk at 60 to 70 rubles per centner. (11)

An approximation of collective farm purchase prices and those at which the state farms deliver their produce to the government presents an important economic and political problem of price formation for agricultural produce. The December, 1959, Plenum of the Central Committee of the CPSU gave its approval to proposals for the reduction of purchase prices for certain agricultural products sold to the government by collective farms, and an approximation of these to the delivery prices paid to state farms.

The process of drawing purchase and delive prices closer together rests upon a firm econo foundation and is entirely valid, particularly w the objective conditions of the operation of coll tive and state farms in a given zone show no marked difference from one another.

The further improvement and approximation production conditions in collective and state fa and the gradual approach to a single level of pa ment for labor and a single schedule of purcha prices in the two types of farms will stimulate increase in labor productivity and a reduction the socially necessary expenditures on the pro tion of a unit of agricultural output.

Footnotes

(1) See Kontrol'nye tsifry razvitiia narodno khoiaistva SSSR na 1959-1965 gody, Gospolitizd Moscow, 1959, p. 50.

(2) See Zbirnik postanov i razporiadzhen' Uriadu Ukrains'koi Radian'skoi Sotsialistichno Respubliki, Derzhpolitvidav, 1958, No. 7, pp. 77

(3) See Narodnoe khoziaistvo SSSR v 1958 g Statistical Annual. Gosstatizdat, Moscow, 195 p. 498.

(4) See Ob itogakh vypolneniia gosudarstve nogo plana razvitiia narodnogo khoziaistva SSR 1959 g., A Communication of the Central Statis Administration of the USSR Council of Ministe Gospolitizdat, 1960, p. 26.

(5) Computed from summary annual report collective farms of Kharkov Region.

(6) Plenum TsK 15-19 dekabria 1958 g., St graphic Report, Gospolitizdat, 1958, pp. 64-65.

(7) See N. V. Podgornyi, "Report at the De ber, 1959, Plenum of the CC CPSU," Pravda, February 23, 1959.

(8) See "Report of the CC of the Ukrainian to the 21st Congress of the CP of the Ukraine," port of N. V. Podgornyi, 1st Secretary, CC CP Pravda Ukrainy, February 17, 1960.

(9) See Svodnyi godovoi otchet kolkhozov K kovskoi oblasti za 1958 g.

(10) See N. V. Podgornyi, "The Results of t December Plenum of the CC CPSU and the Tas the Ukrainian Communist Party in the Further pansion of Agriculture," Report at the Plenum the CC CPU, January 19, 1960, Pravda Ukrain January 20, 1960.

(11) See "Report of the Central Committee the CP of the Ukraine to the 21st Congress of Communist Party of the Ukraine," Report of C rade N. V. Podgornyi, 1st Secretary, CC CPU, Pravda Ukrainy, February 17, 1960.

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A. ALEKSEEV:

ice Fixing For Some Species of Farm Products

ne economic ties between town and country to- are extending the sphere of commodity and etary relations between the state and the collec- farms. This requires proper organization of modity circulation and, above all, the consistent zation of the law of value.

ne establishment of prices in accordance with value of the farm produce which the collective ns sell to the state in a planned way, and the ns of production which the state sells to collec- farms, is extremely important for the develop- t of collective farm production and for co- nating it with the national economic plan.

ne system of purchase prices for farm produce ted by the June Plenary Meeting of the Central mittee of the CPSU (1958) is designed to meet task. The existing regulations on agricultural urements and purchase prices ensure the nor- functioning of commodity circulation. However, does not mean that prices should not be ad- ed. The decision of the USSR Council of Minis- stipulates that the governments of the Union ublics shall annually examine and, when neces- , submit proposals to the USSR State Planning mittee on the question of prices for livestock field husbandry products with due regard for ls and expenditure of labor for their production, at all farm workers will be paid for their pro- in accordance with the required quantity of erialized, socially useful labor.

ne question of prices for agricultural produce ered to the state in the form of purchases was oughly discussed at the December Plenum of Central Committee of the CPSU (1959). The ing pointed out that along with their efforts to e labor productivity and reduce costs the col- ve farms should review and adjust price rela- hips prevailing among various farm products. revision of prices must not, of course, impair nterests of the state or the consumer, i.e., it not lead to greater state expenditure on the nase of farm produce or to increased state re- rices. What is needed is greater differentia- n purchase prices in accordance with value, n the range of the stipulated state fund for nases.

Failure to abide by the law of value may result in this law becoming a regulating force in collective farm production to a certain extent. This may produce a number of negative phenomena. Thus, for example, the collective and state farms in Leningrad Region have considerably increased the volume of production and sales of their produce to the state in the last few years. By November 10, 1959, the consumers' cooperatives and state trading organizations in the region purchased more farm produce than in the whole of 1958. The increases were as follows: potatoes 31,400 tons, other vegetables 61,000 tons, and eggs 8,100,000. (1)

The collective and state farms in the region are increasingly providing the city with potatoes and other fresh vegetables. However, production of vegetables in the region and the corresponding increase in purchases of these products is inadequately coordinated with the city's requirements. This is evident from the fact that supplies of early potatoes and vegetables (especially cabbage) in Leningrad are in excess of demand. This is evident from the 1958 and 1959 purchases of these products in Leningrad Region to meet the city's requirements. (See Table 1 on the top of the following page.) (2)

This table shows that the purchases of early potatoes and vegetables from collective farms have been in excess of plan. The same has been the case with respect to purchases from state farms. Hence, in 1959, purchases of early potatoes exceeded the city's requirements by one third and purchases of early cabbage by 100%. The situation was more or less the same in previous years.

The discrepancy between purchases and requirements of early potatoes and early cabbage has resulted in the accumulation of a considerable surplus of stocks in Leningrad storehouses in August. This leads to serious losses. The fact of the matter is that early potatoes and early vegetables cannot be preserved for any length of time and are not recommended for processing. Thus trading organizations suffer heavy losses. Part of the produce is used for other purposes. In 1959, for example, about 10,000 tons of early cabbage were

Table 1

Product	Unit of measurement	1958			1959		
		Purchase plan	Actually purchased	Purchases in % of plan	Purchase plan	Actually purchased	Purcha in % o plan
Early potatoes	tons	8,600	10,539	122.5	8,000	10,565	132
Early vegetables (chiefly cabbage)	tons	6,690	8,036	118.6	6,436	9,314	144.7

fermented and some of the early potatoes and cabbage were used for fodder in Leningrad.

However, Leningrad could do with a far greater quantity of late vegetables and potatoes than the region supplies. After September 1, when the season for late produce begins, supplies at procuring centers and consumers' cooperatives drop sharply. The collective farmers and even the collective farms, which have a definite plan for delivery of market produce to the state, begin to hold back sales of potatoes and other vegetables.

An analysis shows that the chief reason for this is the existing practice of price formation. Collective farm incomes from the sale of early and late produce differ greatly. Sales of potatoes and vegetables in August (so-called early produce) are the most profitable. As we know, potatoes and other vegetables which collective farms deliver direc to the shops, public dining-rooms and urban sto houses, are paid irrespective of distance on the basis of retail prices with a certain discount: December-March — 10%, in April-May (vegetal in April-June) — 7%, and at later dates — 15%. Potatoes and other vegetables delivered to proc ment centers prior to September 1 are paid for the basis of locally prevailing retail prices with 30% discount. After September 1 the price per centner of potatoes is 40 rubles, and for cabbag after September 15 it is 35 rubles per centner.

Let us cite the retail prices (see Table 2) eff tive in Leningrad and Leningrad Region in 1959 early and late products (in rubles per centner). (3)

Table 2

Movement of retail prices for early produce (rubles per centner)					Price as of September 1 (rubles per centner)	
Potatoes						
July 1 to 9	July 10 to 20	July 21 to 31	August 1 to 20	August 21 to 31	Retail	Purchase
350	300	250-200	150	120	100	40
Cabbage						
June 2 to 22	June 23 to 30	July 1 to 9	July 10 to 24	July 25 to August 12	Retail	Purchase
500	400	300	250-200	100	70	35

on the basis of existing purchase regulations the prices quoted in this table we were to calte the incomes of collective farms from the s of early and late produce we would see a substantial difference, which the collective farms certainly take into account.

How much do the collective farms get from what they sell to the state (in rubles per centner)? (See Table 3.)

Table 3

Place of delivery	Potatoes (rubles per centner)		Cabbage (rubles per centner)	
	Early (in August)	Late (from September 1)	Early (in August)	Late (from September 15)
Shop, canteen, urban warehouses	127.5-102	85	85-68	59.5
Procurement center	105 - 84	40	70-56	36

he table shows that what they receive for deries of potatoes and cabbage in September is alt half of what they are paid in August, and for toes it is even less than half, although expendis of labor in August and September do not differ much.

his is why deliveries of potatoes and vegetables so irregular. The collective farms strive to ver their produce before September 1, at the end ugust, i.e., before sharp change in prices. In there is no surplus delivery of early produce; e is even a shortage, especially of potatoes. aturally when the collective farm delivers its luce directly to the shop, canteen or urban ware-e there does not seem to be, at first glance, any p difference in the amount received from sales r to and after September 1. But in the first e by no means all collective farms are able to g their produce to the city. The collective s in the outlying districts deliver the bulk of produce to the procurement centers of coners' cooperatives in their particular localities. this reason in the case of delivery of late pro- conditions are very unequal, for collective s situated close to the city can bring all their uce to the shops or city warehouses, whereas istant collective farms have to deliver most of produce to the consumers' cooperative cen- For every centner of late potatoes delivered e state at the same time the former gets twice uch as the latter (85 and 40 rubles respective- Secondly, when the potato and cabbage crop is red in after September 1 it is irrational to take to the procurement centers and urban storeis. It would be far better if the state farms and collective farms were to store the produce themselves and supply it regularly to retail shops and canteens throughout the year in accordance with the city's requirements. This would reduce the routing of the product from the producer to the consumer. It would eliminate unnecessary unloading and reloading, thereby economizing on social labor in the sphere of circulation and preserving the quality of the produce. Delivery of potatoes and other vegetables directly from the place of production to the shops all year round would enable the trading organizations to maintain closer contact with the farms and more actively influence production. However, all the attempts of the Lengorplodovoshch and Lendoblpotrebsoiuz to introduce this progressive system of storing and delivering potatoes and other vegetables to the urban trading network have so far met with little success. And this is not due to lack of effort on the part of the Leningrad procurement organizations to establish direct contact between collective farms and the trading network. The reason is that keeping potatoes in pits, though it is the cheapest way of winter storing, entails additional farm labor for digging, carting and packing potatoes in winter time. This is not provided for in the price. For instance, the retail price of potatoes in Leningrad in winter is 100 rubles per centner.

For bringing potatoes directly to the retail shop or public dining-room, irrespective of distance, the collective farm is paid the retail price minus a 10% discount, which amounts to 90 rubles per centner, whereas the delivery of potatoes before September 1 to the retail shop or urban warehouse brings the collective farm 102 rubles per centner

without involving any extra expenditures for storing.

The marked difference in returns obtained by various collective farms when marketing their late produce and the greater profitability of early vegetables lead to certain harmful tendencies in the development of collective farm production. In the course of increasing gross output collective farms increasingly concentrate on the production of potatoes and vegetables for early sale while reducing crops of late varieties with no regard for urban requirements. The Kalinin collective farm in Slantsev District, Leningrad Region, for instance, has raised production of early vegetables to 88% of total sowing, and in its seven-year plan for 1959-1965 envisages a still greater increase in the output of early products.

Such a state of affairs cannot but affect the activity of procurement organizations. They find themselves in difficulties in summer when there is a surplus of early products, and again in autumn when purchases are made with some difficulties and there is a shortage of late varieties. This adversely affects supplies for the urban population. Thus, whereas supplies of early cabbage in Leningrad are almost double the requirements, provision of late cabbage suitable for long-term preservation, such as the Amager and Belorusskaia varieties, is roughly one third below the demand, and therefore beginning with January the influx of fresh cabbage is irregular. The collective farms grow only small quantities of late cabbage suitable for long-term storage in its fresh state since the purchase price for good late cabbage, plus the extras, does not make it as profitable as cabbage which is delivered in August (the so-called early variety). When the collective farm delivers the Amager cabbage to the procurement center, for example, it receives 52 rubles per centner, and when it brings lower g cabbage to the same center in August it receiv 70 rubles per centner.

As a result the shops do not always have ad quate supplies of fresh cabbage and people hav buy it on the markets and pay much more. Fur more, people frequently prefer to buy sour cab on the markets although the retail shops also h some for sale. This is because the cabbage in shops is of poor quality, it being precisely the early cabbage which was brought to town in ex of plan in August and soured to "save" it, altho there is a ban on souring early cabbage.

We think that the way to eliminate these sho comings in the production and delivery of potat and other vegetables to Leningrad from the co side is to revise the existing prices for early a late vegetables and potatoes so that the differe in prices is proportional to that in the expendit of socially necessary labor for their productio

We believe that such a change in prices will provide the material incentives for the product of both early and late produce in quantities nec sary to fully meet requirements. It will impro the functioning of the socialist principle of re- muneration in accordance with the quantity and quality of labor on the collective farms and all us to more fully coordinate their interests wit those of society as a whole.

Footnotes

(1) On the basis of the data of the Statistica partment of Leningrad Region.

(2) On the basis of data of the Leningrad Re al Consumers' Society.

(3) On the basis of data of the Lengorplodov

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KHUDOKORMOV:

fferential Land Rent and Problems of Price Formation in llective Farm Production

f all the multiplicity of problems pertaining to theory of differential land rent under socialism, most important in our opinion are those dealing, ne first place, with the essence of differential l rent and its distribution under socialism, and ne second place, with price fixing for collective n produce, as related to differential land rent. he importance of the first problem is explained he fact that it is the point of departure for clari- tion of all problems of differential land rent er socialism — problems of major significance ne national economy.

mong economists who are concerned with prob- s of differential rent there is still no uniform ion as to what is to be understood by the term erential land rent under socialism. This is due ne complexity of this problem, and an external ilarity combined with a fundamental difference veen differential land rent in a socialist and capi- st society.

view of the fact that land is quantitatively ted, including that part of it which is the most le and most favorably located, and that with the est deposits of minerals and the like, the so- st enterprises operating on these strips of land llective and state farms, and enterprises of extractive industries — are in a position to pro- an additional surplus product and to realize an ional net income. If we regard differential as this additional surplus product (income), it then be entirely justifiable to assert that the r category exists not only in collective farms, n state farms and state enterprises of the ex- ive industry. However, such an assertion d hardly be correct.

e additional surplus product (income) is not rential rent. It is merely its material source. rential rent is a surplus product (income) of a nature that it acquires a social form ex- sing specific relationships involved in its pro- on and distribution. Specific relationships come into being with respect to the supplementary surplus product (income) created in the collective farms and, for example, the state farms. Both of these, although involving socialist relationships, have their own special features. With regard to the supplementary surplus product created in the collective farms, these relationships arise between the collective farms as the owners of the output produced in their holdings and the state which represents society as a whole, with the state participating in collective farm production in a specific fashion, but not as the owner of the collective farm product. No such relationships can exist between the state farms and the state itself, for in this situation the owner of the entire product (income) is not the state farm, but the state.

In our opinion, rental relationships under socialism should be viewed as those arising between the collective farm — as owner of the supplementary surplus product (income) — and the state which is not its owner. Consequently, differential rent does not arise under socialism in the state; it exists only in collective farm production.

In state farm production, relationships involving the surplus product (income) are nothing but a variety of the cost accounting relationships existing between the state and the various enterprises which it operates. State farm output is produced as state property. For the purpose of stimulating the material interest of the personnel of the individual enterprises in the results of their work, the state permits a portion of the planned and above-plan profit to remain at these enterprises, including a portion of the supplementary net income that results from the utilization of more favorable soil conditions, favorable location, and intensification of production. A portion of the profit of the state farms, including the supplementary net income, is withdrawn by the government in the form of deductions from profits. These relationships, which have come into being between the state and the individual state

farms, do not differ essentially from the relationships arising between the state and all other state economic organizations, including industrial organizations.

Thus, proceeding from the essence of rental relationships, the reason for the formation of differential rent under socialism must be considered the fact that land differing in fertility and distance from the points where agricultural products are marketed is utilized as the object of the socialist economies of the individual collective farms, under conditions in which there is a quantitative limitation upon the amount of top-quality land. In other words, the collective farms exercise a unique form of monopoly of land as an object of farming. Although they do not own the land, the collective farms actually have it at their disposal as though it was their own property.

The formation of differential land rent in the collective farms assumes the existence, in the first place, of group collective farm property in the product of the collective farm and, in the second place, of commodity production and exchange. However, these factors are not of themselves the independent cause of differential rent. This must be emphasized, for there are economists who explain the formation of differential rent specifically by these factors. Cooperative property exists not only in the collective farm sector of the national economy, but in the industrial cooperatives producing industrial commodities and in the consumer cooperatives as well, although these do not create differential rent. The connection between cooperative property and the formation of differential rent lies in the fact that the monopoly of the land, as an object of socialist agriculture, is exercised by the collective farms. They exercise this monopoy as group owners of the produce they create. The industrial and consumer cooperatives do not exercise a monopoly of the land as an object of agriculture. The formation of differential land rent is also tied up with the problem of money and commodity relationships, inasmuch as rental relationships between collective farms and the state under the conditions of commodity production take a commodity-money form. However, it would also be erroneous to view commodity and money relationships as the reason for the appearance of differential land rent. Commodity and money relationships exist both in the cooperative-collective farm sector and in the state sector of the economy. However, rental relationships appear only between collective farms and the state. The relationships between state enterprises and the state itself also take a commodity-money form, but their essence is different: they are cost accounting relationships.

As an economic category differential land re expresses the production relations between the collective farms and the state, and between the collective farm peasantry and the working clas This requires that particular attention be paid the problem of differential rent, to problems o most correct and economically valid utilizatio

The rental relationships between collective f and the state, which arise in the process of pr tion of the collective farm product, are ultimat realized in the process of its distribution and change. In this connection, deliveries — the s of agricultural produce by the collective farms the state, and the payment of income tax by the collective farms — play a major role. The co tive farms sell their agricultural produce to th state at state purchase prices. As a form of v these prices are directly related to the social of agricultural output. Differential land rent r sents the difference between the social value o agricultural products and their individual valu those agricultural cooperatives in which the la is lower than the social value. The formation social value in agriculture displays certain im tant special features directly pertaining to the mation of differential rent and to price format for collective farm output.

The specific features of the process of form tion of the social value of agricultural product are governed by the existence of collective fa production. Today, collective farm production dominates in the agriculture of our country. lective farms work 67.2% of the sown area acc ing to 1958 data. State farms and other gover ment enterprises account for 29.1% of the sow area. The share of the collective farms in the marketed output of meat and fat (slaughter we is 51%, of milk — 62%, of wool — 62%, etc., a the share of the state farms is, respectively, 22, and 28%.

Socialist society is concerned with the furth development of the collective farms, with see to it that they all undergo expanded reproducti and produce the greatest possible volume of p duction per 100 hectares of farm land at mini outlays of means of production and labor. Ho ever, this is possible only if, in selling their ucts, they can recoup their costs of productio emerge with a net profit. However, society's needs for agricultural products cannot be met production on the best lands alone. Under the ditions of socialism, with a constant improve in the fertility of the soil, the development of means of communication and advancement in specialization of farms, differences in the qua of tracts of land diminish, but nonetheless do

ppear. Therefore, it still remains necessary to k the lands that are relatively poor in fertility location. In this connection, the social value, the socially necessary costs of production of cultural products resolve themselves with ob- ive necessity, into the expenditures of those ective farms that do their farming under condi- s that are relatively poor in terms of the natur- ertility of the soil, climatic conditions, and lo- on. This does not mean the worst conditions in eral, but those whose use is necessary to so- y under the given need for agricultural produc- and the rational specialization of the economy. y their economic nature the collective farms, ooperative enterprises, can not be maintained ermanent subsidy by the state in terms of re- ing production expenditures higher than those h are socially necessary. They have to ac- ulate funds for the expansion of production from r own incomes. If the social value in agricul- was based on the average operating conditions he average magnitude of individual expenditures, latter, in collective farms operating under the t favorable conditions would be considerably er than the social value, and many of these ns would not be able to realize the net income ired for the expansion of production.

his feature of the formation of the social value gricultural products must be reflected in pro- ement prices. These prices, published on July 958, were established by an administrative er of the USSR Council of Ministers in accord- with a decision of the June (1958) Plenum of Central Committee of the CPSU. They were ved at in practice as average payment prices, h were then differentiated in both directions he various zones of the country. It may ap- at first glance that the social value underlying e prices for agricultural products is based not ne relatively poorest, but on the average condi- of production, i.e., in a manner analogous to ormation of the social value of industrial prod- . However, this is not the case. If we care- analyze the system of procurement prices it become clear that, in the first place, they are d on the social value that has come into being r the relatively poorest conditions of produc- and in the second place, that they reflect the ence in collective farm production of differen- ent as the difference between this social value he individual values of output in the various ctive farms, and in the third place, that pro- ment prices are employed as the major means stributing differential rent I due to fertility and ion between the collective farms and the state. he social value of agricultural production was based on the average level of expenditures of past and living labor in enterprises producing the basic mass of this production, we would come to the conclusion that the government buys agricultural produce from the collective farms functioning under less favorable circumstances at a price exceeding the social value, and thus subsidizes them through higher prices. But what might the source of this subsidy be? Either the net income of the collective farms operating under conditions more favorable than the average, or the net income of state enterprises.

In point of fact this is not the case. In his report to the June (1958) Plenum of the Central Committee of the CPSU, Comrade N. S. Khrushchev defined as follows the general principle of establishing purchase prices for collective farm products: "Price policy should further strengthen the collective farm system, should make for an improvement in the productivity of labor, and a rapid increase in the production of agricultural products, as well as an all-round development of the economies of the collective farms. In addition, we must not forget that the price policy for agricultural products should ensure not only expanded reproduction in the collective farms, but should create definite levels of accumulation to expand industrial capacities, particularly in heavy industry, which is the leading force in the economy and something that is of vital concern to all collective farmers."

On the basis of this principle the procurement prices established for collective farms operating under both the best and the relatively poorest conditions are set at a level below the value of agricultural output. However, simultaneous provision is made for the need of the collective farms to realize a portion of their net incomes for the purposes of collective farm production. With this object, the average computed purchase prices are differentiated among the various zones of the country. With respect to the collective farms operating under less favorable conditions of soil and climate, purchase prices are established at a maximum level, exceeding the average computed prices. In our opinion, it is the maximum purchase prices that most nearly approximate the socially necessary expenditures of past and living labor for the production of agricultural output.

The average purchase prices and the prices set for zones with more favorable conditions of soil and climate should be regarded as prices with a correspondingly greater deviation from social value in the direction of the lower individual production expenditures of the collective farms operating in these zones. One asks why, in this situation, it is the average rather than the

maximum prices, that are used as the base purchase prices for procurements? This is evidently dictated by practical considerations. In the planning of purchase prices it is necessary to take into consideration the prime costs of collective farm production, the prime costs of production in the state farms, and the amount of net income realized via purchase prices. For purposes of determining the initial computed purchase prices, it is obviously easier to take all this into account on the basis of average indices (for example, the national average prime cost in the collective farms, the state farms, etc.), and then to differentiate prices in accordance with the cost of agricultural production in various zones of the country.

The differentiation of procurement prices on the basis of zones having different conditions of soil and climate, as well as different economic conditions, takes into consideration the process of formation of differential rent I in the collective farms, and the need to distribute it between the collective farms and the state.

It is well established that differential rent I is created by labor whose higher productivity stems from the utilization by the collective farms of those lands that have superior natural fertility and location. The conditions under which these collective farms operate are not the result of any superior managerial ability. These more favorable conditions of labor are a free gift of nature. Therefore the result of their utilization — differential rent I — should belong to society as a whole. The additional surplus product created in collective farms as differential rent I is, by its economic nature, a product for society as a whole.

In the law "On the Socialization of the Land" (1918), signed by V. I. Lenin, we read of the state's need to appropriate the additional income obtained thanks to advantages in fertility or the location of plots of land. This doubtless also pertains to the conditions of a victorious socialism, i.e., it is valid for our day as well. Thus, differential rent I must be placed at the disposal of the state. Some economists assert that the socialist state extracts differential rent I from the collective farms on the basis of its rights as the owner of the land. In our opinion this assertion is erroneous. The land has been granted to the collective farms for their use in perpetuity. Therefore, there need be no payment for the land even in the form of differential rent I. This is also in contradiction to the practice of distribution of differential rent I in the people's democracies, where the state receives a portion of this rent although it is not the owner of the land, which is at the disposal of the cooperatives.

The distribution of differential rent I by means of procurement prices is carried out in practice, a already stated, by differentiating these prices b zones. By the sale of their produce at lower pr than those expressing the socially necessary ex penditures, the collective farms turn over to th state a portion of the value, which constitutes d ferential rent I. This is then realized by the st through the medium of the retail prices of consumer goods, and takes the form of the turnove tax.

Such products of agriculture as flour, potatoe vegetables, meat, and the like, are items of pri necessity. Therefore, if the turnover tax inclu in the retail prices of these products represent only the redistributed portion of the net income the output of heavy industry not realized in its price, it must not be very large. In this connec there is a sound basis for contending that the so of the overwhelming bulk of the turnover tax included in the retail prices of consumer goods o agricultural origin is differential rent I. There fore, in speaking of the relation between the pr curement prices in any single zone and the soci value of the agricultural products, it is also ne sary to bear retail prices in mind, and in parti lar the turnover tax incorporated in these price for the value of agricultural products is realize not only in the procurement but also in the reta prices.

The substantial difference between the retail prices for consumer goods of prime necessity the calculated average procurement prices onc again confirms the proposition that the social va of agricultural products is established under th relatively poorest conditions of production.

An analysis of procurement prices and a com parison of these with the average zonal costs o production of agricultural output in the collecti farms demonstrates that their differentiation b zones does not completely correspond to the di ferences in soil and climatic conditions in thes zones. As a consequence, the existing differen tiation of procurement prices does not ensure a complete extraction of differential rent I for fe tility, particularly in the zones with the best co tions. Is this as it should be? To some degree is. It is not contradicted by the fact that differ tial rent I by its economic nature is the proper of society as a whole. It is desirable for socie that a portion of rent I be retained in the collec tive farms for further stimulating the best pos utilization of the most fertile lands. However, portion of rent I which remains at the collectiv farms should be comparatively small so as not produce excessive differences in the profitabil of the productive activities of the collective fa

ne various zones of the country, and not to weak-
in those collective farms which operate under
favorable conditions of soil and climate, their
rest in the further development of their jointly
rated economies.

he December (1959) Plenum of the Central
mmittee of the CPSU supported the initiative of
Party Central Committees and the Councils of
isters of a number of the republics in reducing
prime costs of production of raw cotton, tea
es, melons, grapes, fruits and wool in the col-
ive farms, and their proposals concerning a re-
ion in the purchase prices of certain agricul-
l products. Bringing these prices into line with
delivery prices paid to the state farms is en-
ged. The reduction in purchase prices will
e possible a subsequent reduction in the retail
es of consumer goods and will thus make for a
her increase in living standards of the peo-

ne method of solving this problem would be a
her differentiation of procurement prices. This
sure would pertain not only to the purchase
es of products discussed in the resolutions of
December (1959) Plenum of the Central Commit-
of the CPSU, but also to the prices of many oth-
roducts. The suggested increase in the spread
rocurement prices may be realized first of all
reduction in the prices of products in those
s of the country where production is highly
itable because of the relatively high purchase
es. In those cases in which procurement prices
lower than prime costs and do not assure prof-
ility to the collective farms, they could be in-
sed. But this must be done very carefully, with-
permitting a general rise in procurement prices.
s the rise of prices in certain districts must un-
all circumstances be covered by savings de-
d from the reduction of prices in other districts.
here are sound grounds for reducing procure-
t prices in a number of areas. For example,
evel of uniform procurement prices established
)58 made possible a 4.6% rate of profit on grain
uction in the collective farms of Belorussia. In
ollective farms of the Marii ASSR the profit
e on grains (rye, wheat, oats) was 13.5% in 1958.
n the collective farms of Moscow Region the
of profit on grains during that same year came
%, and so on. At the same time, the rate of prof-
grain products in a number of regions and ter-
ies is considerably greater due to the relative-
gh prices and low prime costs. In Stavropol'
itory it reaches 185%. (2) The profitability of
production is at about the same level in Ros-
egion. Such high rates of profit cannot be re-
d as economically desirable.

In the Russian Federation there are substantial differences in the rates of profits within both crop-raising and livestock farming. In the former category rates of profit fluctuated from 10% in the collective farms of Kirov Region to 227% in those of Rostov Region. In livestock farming they fluctuated from "negative profitability" in the collective farms of Briansk Region, Krasnoiarsk Territory, and some other districts, to 71% in the collective farms of the Kalmyk ASSR and 51% in the collective farms of Astrakhan' Region. (3)

These examples should not be regarded as concrete proposals to change procurement prices in these parts of the country. We are speaking merely of validating one of the general principles involved in solving the problem of reducing purchase prices and making fuller and more correct use of the theory of differential land rent.

Rental relationships between collective farms and the state are also taken into consideration within each individual zone in planning intra-zonal purchase prices. In each respective zone they are set at levels which make it possible for the collective farms in the given zone not only to recoup the costs of production in selling their farm produce, but to obtain the net income required for expanded reproduction. Within the zone the procurement prices are not differentiated. They are established on the basis of the average zonal conditions of production, for intra-zonal soil and climatic conditions are taken to be identical. If the level of development of the social economy in the collective farms varies, this is largely a consequence of differences in the management of collective farm production, not a consequence of differences in the natural fertility of the soil. However, soil conditions may vary within a single zone for certain types of crops (vegetables and the like). Moscow and certain other regions have both dry and flood-plain lands. The latter are considerably more fertile and permit vegetables to be raised with minimum expenditures of past and living labor, whereas production on dry lands is considerably more expensive. When prices are planned on the basis of average zonal conditions of production, the raising of vegetables on dry lands is unprofitable or yields little profit. However, the production of vegetables on flood plains is highly profitable. By selling vegetables at average zonal prices the collective farms having flood lands receive, in addition to all other income therefrom, a portion of differential rent I. This stimulates the fullest possible utilization of fertile lands by the collective farms.

This system of planning induces the collective farms having flood lands to increase their specialization in the production of vegetables and to

expand the plantings of vegetable cultures, while collective farms operating on dry lands are induced to change their crop emphasis in accordance with the existing conditions. This is undoubtedly rational from the viewpoint of the national economy, for it permits a considerable increase in the production of vegetables, enables them to be raised at a lower cost, and thus permits a subsequent reduction of procurement prices.

However, this situation should not continue for any length of time, for if this were the case it might be transformed from a stimulating factor into its opposite. After the collective farms operating on flood lands have sufficiently developed their production of vegetables, the collective farms having only dry lands at their disposal must be assisted in mastering their newly selected specialty. The first measures in this regard must be, in our opinion, a cessation of deliveries of vegetables to the state by these collective farms, and an increase in the planned deliveries of those products in which they have begun to specialize. If the zone contains soils varying in natural fertility, and the collective farms are uniform in their crop specialization, and there is no reason to change this, the uniform procurement price places collective farms operating in the least favorable conditions in a very unhappy position. In our opinion, in this situation it would be desirable to reclassify the collective farms of this district among different zones so that the procurement prices in these zones will assure a more or less uniform profitability in their operations.

The foregoing concerns an accounting of the formation and distribution of differential rent I due to fertility. The planning of state purchase prices for collective farm produce also takes into consideration differential rent I due to location. The uniform zonal procurement prices for collective farm output are set in such a way as to cover only the minimum costs of transporting agricultural produce. At the present time, the costs of transporting collective farm output to procurement points involving distances of more than 25 kilometers are paid by the procurement agencies and enterprises at uniform trucking rates. This means that the procurement prices are set below the social value of collective farm output by the greater part of the magnitude of differential rent I due to location.

In collective farms located in the immediate vicinity of their markets, this type of planning of procurement prices results in the differential rent I due to location being extracted by the state. This partially covers the transportation expenses for produce coming from distant collective farms.

When we turn to the distribution of differential rent II, we find that at present its distribution is carried out chiefly by means of the income tax to the state by the collective farms. Differenti rent II, which comes into being as the result of tional and more productive investments of labo and means of production in tracts of identical q ity, is a product of the increased economic fert of the soil. Both the collective farms and the s participate in increasing the economic fertility collective farm lands. The state expends enor funds to develop collective farm production. T indivisible funds of the collective farms, which clude agricultural machinery and other means production, are considerably supplemented by outlays of government funds.

The additional surplus product which takes th form of differential land rent II, by its economi nature is in part a product for the collective fa and in part a product for society as a whole. D tribution of differential rent II proceeds in accordance with this principle. The income tax i paid by the collective farms at rates which are portional to their incomes. The more intensive the collective farms conduct their operations, t greater the income they realize, including diffe tial rent II.

In order to link the income tax more intimat to the problem of distribution of differential re in our opinion it is necessary to introduce cert changes into the system of calculating the inco tax. The entire gross income should be subjec income tax. At first glance it might appear tha this is not quite right. For is not differential supplementary net income, while gross income cludes the necessary product? However, the po is that in distributing the gross income in the c lective farms, a portion of the differential rent distributed in accordance with labor, i.e., it is excluded, for all practical purposes, from net come. In order for taxation to cover the full d ferential rent, it is not merely the net income the entire gross income of the collective farm has to be taken into consideration.

In our opinion the suggested method of comp the amount of the income tax would stimulate t collective farms to the most rational utilizatio gross income, promoting an optimum allocatio income for labor, for accumulation, and for the satisfaction of the needs of the collective farm a whole. If we were to begin applying the inco tax to net income alone, this would not stimula the collective farms to increase their accumul funds and other funds for the satisfaction of so needs. Under the existing system funds expen for productive purposes are exempt from inco tax. This is undoubtedly correct. It stimulate collective farms to channel the greatest possib

s into the needs of the social economy, its fur- growth and improvement.

our opinion it is desirable to increase the in- e tax on products sold by the collective farms ne farmers' markets. This is because con- rable additional income is derived from this of sale. If the costs of production in the collec- farms are lower than those socially necessary, the prices prevailing in the farmers' markets , say, equal to the latter, the collective farms ive differential rent. Its source is the labor of collective farmers themselves. But if the mar- prices exceed the socially necessary expendi- s due to failure of supply to correspond to de- d for agricultural products, the additional in- e which is thus derived, representing the dif- nce between price and social value, is not dif- ntial rent. It represents a redistribution in r of the collective farms and collective farmers portion of the personal incomes of the workers employees — the purchasers of farm produce. collective farm incomes obtained in this fashion uld be returned, in part, to the state, and the portion of this amount surrendered should be tively greater than in the case of differential .

he ratio between farmers' market and state re- prices may serve as an index of the degree to which the prices of farmers' market sales correspond to social value. State retail prices provide a more exact measure than do others of the socially necessary expenditures in commodity production. In 1958 farmers' market prices exceeded the retail prices of the most important farm products by approximately 38%. (4) In this connection, the income tax rate on products sold by the collective farms in the course of their market sales should be set higher than the rate currently in effect. It should be flexible, i.e., it should vary with the degree to which farmers' market prices exceed state retail prices. At the same time, the income tax rate should not completely eliminate the stimulating effect of the market price on the collective farms — it should not be excessive.

Footnotes

(1) Computed on the basis of actual prime costs in 1957.

(2) Calculated on the basis of prime costs computed by the method of the VNIIESKh.

(3) See Vestnik Moskovskogo Universiteta, 1960, No. 2, p. 18.

(4) Computed from the data in the statistical annual, Narodnoe khoziaistvo SSSR v 1958 godu, Gosstatizdat, 1959, pp. 773-774.

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KRONROD:

lue as the Basis of Price Under the Conditions of a ialist Economy

he discussion of problems of planned price nation under the conditions of socialism has had ificant scientific results. First among these is conclusion that value is the basis of price under conditions of a socialist economy, and that price e monetary form assumed by value. Also ly recognized is the proposition that the sys- of planned prices may be improved by bringing rices of commodities as closely into line with values as possible, while at the same time gnizing that the difference between price and value in the case of certain commodities is a necessary form of utilization of the law of value in the process of planned management and does not contradict the functioning of this law as a law of price.

A number of erroneous conceptions were found to exist. Some of these separate planned price from value and deny that value constitutes the basis of price and that the law of value is a law of price. They represent efforts to replace value by something on the order of prices of production, to regard as value the price of production or even

some optimum evaluation (standard evaluation) of labor obtained on the basis of a scale of "marginal productivity." They include efforts to validate the necessity for a modification of value under the conditions of socialism, and the like. Certain economists, using the thesis that the difference between prices and value is a form of operation of the law of value, treat as the law of price not the value, but constant deviations from it, or if they go on the assumption that the law of price is the law of value, they surround the operation of this law by such a fencework of qualifications that little remains of the scientifically based propositions regarding value as the basis of price formation.

All this requires a degree of "theoretical analysis" in the field of price formation, the more so because these are exceedingly pressing problems. In its resolutions the July (1960) Plenum of the Central Committee of the CPSU defined the need for a revision of wholesale prices for the tools and means of production in the course of 1961-1962, with the objective of having prices provide a more precise reflection of the actual expenditures on the production of goods and assure the necessary accumulation for the further development of industry.

The present article is devoted to some of the major aspects of the theory of planned price formation in a socialist society.

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Planned price, a planned price system, planned pricing — all these economic categories are subordinate to the requirements of the process of socialist reproduction, and are involved in its laws. Therefore the idea is sometimes advanced that the socialist economy has no specific law governing prices, and that prices constitute something of a resultant of numerous laws, of which the law of value is one. The operation of the latter is taken into consideration, as it were, in the establishment of planned prices, but is not decisive in this process.

This approach is methodologically invalid. Within the national economy, which is a living unity, a vital whole, numerous laws operate and interact, each serving as channels for the others. But their interaction does not change the fact that each specific form of economic relations, each specific link in these relations is, in its movement, subordinate to a specific law representing a uniqueness of quality and a necessary type of movement of this particular relationship. Thus, the law of value is the law which governs the process of planned price formation. This stems from its essence and operations, from the essence of price as an economic category of socialist commodity production, and from the fact that price is not some conventional exchange relationship between one commodity a another, not some abstract scale, abstract unit measurement, etc., but is a specific and distinc monetary form of expression of value which go erns its motion in reality. The fact that price i an expression of value, and that the movement c price is determined or regulated by the movem of value, signifies that, under the conditions of cialist commodity production just as under the ditions of commodity production in general, the of value is the law of price, i.e., the law govern prices. It goes without saying that inasmuch as commodities are manufactured and circulate in accordance with a plan in a socialist society, pr is planned, and its establishment and movement are governed by the planned utilization of the la of value.

We may speak of three inseparably connected specific historical functions of the law of value under the conditions of socialism, each of whic realized by means of the mechanism of price fo mation.

The first of these functions is expressed in th fact that the law of value, although it does not c trol the proportions of socialist reproduction, r theless serves the planned distribution of labor among the branches of social production in accordance with the requirements of the socialist economy, i.e., it appears as a necessary, altho now a supplementary form of the planned involv ment of individual and collective labor within th labor of society. The direct planned connectio tween social requirements and the mass of labo expended upon the production of the products sa fying these requirements must be supplemented the commodity relationship under socialism an realized accordingly in the form of the movem of value. It is here that the relationship betwe the law of value and price primarily emerges. incorporation of individual and collective labor social labor requires that different and socially heterogeneous labor be expressed as socially e and uniform, and that in the form of this homogeneous labor it be distributed among the bran of social production. This requires the equiva exchange of the products of labor, a process th signifies, in turn, that price must be based upo value, must express it. Otherwise the realizat of the decisive function of the law of value will violated, or at the very least, this function will realized incompletely and inefficiently.

In this process in which the law of value ser the planned distribution of labor among the bra ches of socialist production, there is clearly m fested one of the principal distinctions between planned and spontaneous price formation. In

ntaneous commodity economies the law of value rates only a posteriori. Therefore, under these cumstances the mechanism of adapting the distution of labor to social needs — the deviation of ces from values — comes into operation only to extent that a disproportionality in the distribu- of labor appears, i.e., difficulties appear in the rporation of individual labor into the social le. It is obvious that under conditions of the ned unification of production and the directly so- nature of labor, its planned distribution among branches and spheres of production in acdance with the needs of society, the need for a hanism under which the law of value functions steriori, i.e., a mechanism involving the spon- ous deviation of prices from values, will disear. However, it does not follow that under soism the need for a deviation of prices from es will disappear in general. But it does sig- that the roots of this necessity and, consequentits role, are different under socialism than er pre-socialist types of commodity production. et us now turn to another specifically historical tion of the law of value in a socialist economy s function of simultaneous material stimulation he process of economizing on social labor and process of continuous growth of the volume of roduced output. This function is realized through mechanism of cost accounting and through the re system of value relationships in the field of ialist production, distribution, and exchange. Inuch as cost accounting is based on making good expenditures of each enterprise and providing accumulations from the value of output repro- ed by this enterprise — to this degree, naturally, more complete the equivalent relationships ng enterprises, the more efficiently cost acnting will make for systematic reduction in indial expenditures as compared to those socially essary. For example, let us suppose that the es of means of production differ significantly n value. In view of the difference in the value cture of each individual commodity (i.e., the erent proportions in the value of the c, v, and m ponents), the overall significant deviation of es from the value of the means of production mean markedly differing deviations of the e of each individual commodity from its value. this, in turn, will signify a different change in weights in the overall sum of the costs of proion of the individual elements, on the one hand, on the other, a very marked variation in the e of profits in the total receipts of the cost unting enterprise (in both cases as compared value). Consequently, all this will signify the widely varying changes in the conditions for realizing the stimulating effect of the law of value in the area of reducing individual and social value, and increasing the volume of production. The same applies to other value relationships which link both the individual enterprises as well as entire spheres of the national economy and the elements of reproduction. Significant stable deviations of price from value, for example, in the production of entire subdivisions of the social product, not only complicate the planning of national economic proportions but require complex computations for purposes of correction. If the matter were limited to the need for these calculations, this would not be of great significance and would not go beyond the limits of the methods of planning. However, real relationships and proportions in the national economy develop in accordance with the currently existing sale prices. This means that the significant and highly varied deviations of price from value influence the course of the actual process of reproduction, creating difficulties in some of its links in some situations, while in others they establish exceedingly favorable, windfall conditions, etc. It is clear that neither of these makes for the achievement of optimum results in the process of reproduction.

Finally, it is not difficult to see that a third function of the law of value — social accounting of labor in the form of value — itself demands not a deviation of price from value but, on the other hand, a correspondence between price and value. Only in this situation will prices adequately express the labor expended upon the production of commodities in its qualitative aspect as abstract labor, and in its quantitative aspect as socially necessary labor.

Thus, in themselves the functions of the law of value under socialism do not at all require that prices differ from values. On the contrary, they require that prices and values coincide. Nevertheless, the practical experience of the socialist economy involves numerous deviations of prices from values, and the mechanism of this deviation of prices from values under socialism is also dictated by the very conditions of utilization of the law of value.

Without controlling production, that is, without regulating the proportions in which labor is distributed in the process of reproduction, the law of value nevertheless aids in this distribution in a dual sense. In the first place, it does so in that the value form shapes the general form of economic relationships (both those in the process of direct distribution of labor, and those in the process of the indirect forms of its movement — commodity exchange); and in the second place in that, if the direct economic relationships are planned without

corresponding to the real needs of society, the resulting disproportions will manifest themselves in the form of value disproportions which, by the very fact of their formation, will objectively require their elimination. Here we are confronted with the factors requiring the deviation of prices from values.

The directly social nature of socialist production and labor essentially require a distribution of labor that is proportional, i.e., that meets the needs of society. But only in fundamentals.

To begin with, the very structure of the productive forces of society may and usually does include factors that prevent a complete correspondence between the distribution of social labor and the structure of social requirements that has already evolved. The possibility that demand may differ from supply requires a corresponding deviation of prices from values resulting in a solution of the contradiction between the social needs that have evolved and the possibilities of production. We may cite the following example. Let us suppose that the general growth in the level of income, acting to change the structure of consumption by the population, has produced a significant expansion in the effective demand for meat and milk products. In addition, the structure of agricultural production has not yet been adapted for a corresponding processing of grain products into livestock products. We consequently encounter a difference between supply and demand. The demand for meat and dairy products exceeds the supply and, contrariwise, the demand for grain products proves to be lower than the supply. Under these conditions it is necessary for prices to differ from values, i.e., for a relative increase in the prices of meat and dairy products, and a reduction in the prices of grain products, and so forth. Thus, the possibility that the actual structure of production may not correspond to the system of social requirements that has developed, the need for a certain period of time to elapse for these discrepancies to be eliminated, and so on — all this leads, under a planned socialist economy, to a divergence between demand and supply, and the need for a corresponding divergence between prices and values.

The price fixing factors confronted in practice which lead to a divergence between prices and values (factors such as stimuli for economies of fuels, raw and other materials in short supply or requiring long hauls, stimuli for the production of technologically advanced types of products and products in short supply, stimuli for the substitution of certain types of means of production by others, price methods of balancing the production and consumption of consumer goods, etc.) are nothing but elements in the planned utilization of the law of value by the balancing of supply and demand thro price, thus solving the discrepancies between pr duction and requirements.

At the same time, by acting in a planned fashi on the development of both the structure of prod tion and the structure of social needs, society c sciously establishes differences between prices values, thus creating additional — value — stim facilitating the solution of this problem.

Finally, it is possible for miscalculations to b made in the planned distribution of material resources, which produces a discrepancy between production and social needs and thus also gives rise to a need for a divergence between prices a values.

All these are factors which give rise to a divergence between prices and values. But none of these factors require the replacement of valu as the basis of price by any other basis, i.e., by some kind of stable "modification" of value (let say of the "price of production" or "averaged" value type). On the contrary, by expressing the divergence between the structure of production the needs that have arisen, these factors merely provide objective testimoney of the need to brin the structure of production into line with the str ture of needs, which in turn will cause prices to turn to the level of value. Further, all these fa tors of deviation of prices from values, the fact giving rise to these deviations, inevitably come into conflict with the optimum conditions for re ization of the functions of the law of value, inas much as they violate these optimum conditions. However, once a collision has arisen between th factors giving rise to divergence between price and values, and the optimum conditions of plann operation of the law of value (involving a confor between the structure of production and the str ture of social requirements), it becomes compl ly obvious that these factors are temporary in n ture and must be eliminated under the influence the very law of value, which requires eliminati of disproportions in the social distribution of la Thus, the conditions giving rise to divergence o prices from values do not, in the first place, cr a stable divergence of prices from values, for giving rise to these divergences they simultane ously give rise to factors which operate to elim nate them. (1) Second, they mean that under c ditions of the planned operation of the law of va the deviation of price from value constitutes th form of motion of the latter in which this law is realized.

Let us turn to an analysis of the possible infl ence upon the relationship between prices and values of the conditions involved in the utilizat

he law of value within the system of the other nomic laws of socialism. What is the relation- p that would exist between price formation based n the coincidence of commodity prices and ues, and the other economic laws of socialism, marily the laws of reproduction and, specifically, law of socialist accumulation?

n accordance with the objectively conditioned vements — conditioned by the economic laws of ialism — of the elements and factors of ex- ded socialist reproduction, the value created is only subject to distribution at the point of pro- tion, but to redistribution at the point of utiliza- n. Under socialism two major channels of redis- bution exist: in the first place, direct financial istribution and, in the second place, the employ- nt of price as an instrument of redistribution nned differences between price and value, as the ult of which some branches of production realize aller values than they create, and others realize ater ones).

Why are the two methods of redistribution — the ncial and price methods — and their coordina- n necessary? There are three major reasons the price method of redistribution cannot, in it- f, assure the distribution and redistribution of ue in accordance with the requirements of the nomy's development. In the first place, there is fact that a non-equivalent redistribution of value m the productive to the non-productive sphere ecessary. This kind of redistribution is only sible, by its very nature, as financial redistribu- n inasmuch as the non-productive sphere con- nes value but does not produce it, and conse- ntly, it has nothing to realize in exchange for the mmodity values it receives. In the second place, price method of redistribution cannot provide a l distribution of the value of the surplus product h in the sphere of production, for the extent of possible divergence of prices from values in the nches engaged in exchange with each other does suffice for this. (2) In the third place, the e method of redistribution cannot assure the re- ed final transfer of the value of the surplus duct, for the redistribution involved would cause neven a deviation of prices from values, and ld require such frequent and varied changes in levels of divergence as to inevitably bring this acute conflict with the functions of the law of e and the stability of planned prices.

nus, the very nature of the redistribution of the e of the surplus product dictated by the require- ts of social reproduction, does not permit the ctives of this redistribution to be solved simply he methods of divergence of prices from values, inevitably requires direct financial methods of redistribution. However, is it not possible for the problem of redistribution of the value of the surplus product to be solved simply by direct financial methods?

If the divergence of prices from values were merely to serve the required shifting of the value of the surplus product from the point of production to the point of utilization, there would be no need whatever for prices to deviate from values. In this case the simplest and most rational method of distribution would naturally be direct financial redistribution. However, the point is that the divergence of prices from values is, at any given time, caused by factors stemming from the utilization of the law of value under conditions in which there is a discrepancy between the structure of production and social requirements. Therefore, the very deviation of prices from values stemming from these factors leads to a partial shifting of values from the point of production to the point of final (or temporary) utilization. That is why the direct financial method of redistribution of value must be combined with the price method of redistribution.

However, it follows from the foregoing that the redistribution of value, its shift from the point of production to the point of utilization, which is dictated by the system of economic laws of socialism, is realized primarily and chiefly by direct financial redistribution. However, the deviation of prices from values arises from the operation of the law of value itself under given economic conditions. These deviations, as a rule, should not be prolonged or stable in nature, and should for the most part compensate each other, without resulting in any significant deviations of prices from values not only for gross commodity output in departments I and II, but for large groups of commodities within the framework of each department. (3)

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The problem of the base for the planned price, corresponding to the economic conditions of socialism, is solved in the final analysis in accordance with the conception of using the law of value in the price fixing process.

The concept that goes farthest in the sense of separating the process of price formation from its value base stems from a denial of the significance of the law of value as a law of price under socialism. B. Mints came forward with this concept in the course of the discussion on price formation. The effect of the law of value upon the prices of products under socialism, he contends, "is not expressed in the exchange or circulation of products on the basis of their values." In his view (and in that of a number of other economists) exchange in accordance with value is a phenomenon typical

of primitive, pre-capitalist economies. Moreover B. Mints denies the existence of any regular basis for price under socialism. In his opinion, in a socialist economy there is only a tendency for "price to at least cover the costs of production," and "there is no law determining any particular distribution of the total value of the surplus product among the prices of the various products." (4)

The value of any commodity consists of three elements: c+v+m. If "no law" governs the realization in the price of element m (surplus product), this means that the price becomes arbitrary, i.e., is not subject to the operation of the law of value. According to B. Mints, the basis of price is the equilibrium of supply and demand, and this is true not only for consumer goods but for means of production as well. "The value of means of production," B. Mints asserts, "is equal to the sum of money income available to the socialist economy for their acquisition." (5) Thus, an attempt to construct a system of planned prices without the law of value as regulator inevitably causes one to slip into advocacy of the law of supply and demand, i.e., a theory of prices without value.

B. Mints' position was approached by only one other participant in the discussion, I. Konnik, who supported the idea that it would be an exaggeration of the role of the law of value to convert it "to the decisive factor in price formation" under socialism. (6) However, it is quite obvious that with such a "modification" of the effects of the law of value under socialism the process of price formation would not be a value process.

The "teleological" approach to the treatment of price formation under socialism approximates, to some degree, the non-value approach. "The selection of one or another standard price," writes N. Tsagolov, "does not require a prior answer to the question as to whether a price corresponding to value or to price of production is closer to the principles of socialism." For, as he says, the matter at issue is "solely that of the expediency of employing one or another mechanism of price formation..." (7)

Both these positions drag the theory of planned price formation backward to long-since discarded views held during the period when the need for commodity and money relationships under socialism was denied. And if we recall these views it is only because under certain conditions they represent in concealed form the premises of an empirical treatment of price formation under socialism.

In the course of the discussion on price formation a certain popularity was achieved by concepts which amounted to the view that every type of economy other than simple commodity production inevitably assumes some modifications of the operation of the law of value, modifications of v as the basis of price. (8) Just as the transitio from simple commodity production to capitalis leads to the development of the law of prices of production, the functioning of prices of producti as the basis of price, and the onset of monopoly capitalism induces a further modification — the velopment of monopoly prices — the transition f capitalism to socialism presumably presuppose further modification of value as the basis of pri Moreover, these views hold that recognition of value as such, as the basis of price, without an "modification," implies treating socialist plann price formation on the same basis as price for tion in simple commodity production.

However, historical analogy does not make a argument. Once capitalist relationships disapp all the specific factors causing modification of value into price of production and the like also appear. However, certain economists hold the that modification of value is not only connected production relationships, but that the productive forces developed by capitalism cannot be recon ciled with value in an unmodified form. If this were actually the case the question of the need a "modification" of value under socialism woul so to speak, be solved automatically. In point fact, inasmuch as the productive forces under s cialism are even more highly developed than u capitalism, the productive forces of which had ready required a modification of value, the mod cation required would be even more necessary der socialism. However, this is, alas, just as wrong as it is simple and clear. The point is t productive forces themselves do not determine either the existence of commodity relationship the law of value. Commodity relationships are rooted in a particular structure of economic re tionships, and it is only the latter that determi the form of operation of the law of value. Cons quently, the high level of development of the pr ductive forces under socialism tells us exactly nothing either in favor of or against the need fo "modification of value." Could it be, however, the very system of socialist relationships of pr tion contains factors giving rise to the need for "modification of value?" A number of variants the "modification of value" under socialism are built on the assumption of the alleged existence factors of this type. One such variant, which is directly connected with the theory of the depen of the modification on the level of development the productive forces, contends that the sum of transferred value and the newly-created value (c+v+m) allegedly does not reflect the full valu

nmodities. It is claimed that it reflected this ue, to a greater or lesser degree, under the ditions of undeveloped, simple commodity pro- tion, when the differences in the equipment ilable to the commodity producers were not par- ularly large. However, from the time when the ductive forces began to develop and widely fering masses of values of fixed capital (fixed ets) came into use in different branches of production, this sum (c+v+m) no longer reflected the complete and real commodity values, it is claimed. Value, it is asserted, is now determined in some other fashion. Let us clarify the reasoning of the partisans of this viewpoint with the aid of a schematic example.

Let us suppose that social production, consisting of three branches, is conducted under the following conditions.

Fixed capital (turns over n ten years)	Circulating capital (turns over twice per year)	Mass of newly created value		Value of total product (9)
		v	m	
A 10,000	5,000	2,500	2,500	11,000c (including 1,000c_1) + 5,000 (v+m) = 16,000
B 20,000	5,000	2,500	2,500	12,000c (including 2,000c_1) + 5,000 (v+m) = 17,000
C 30,000	5,000	2,500	2,500	13,000c (including 3,000c_1) + 5,000 (v+m) = 18,000

ccording to our example, the labor value of the ducts computed according to the formula c+v+m, 6,000 in branch A, 17,000 in branch B, and 000 in branch C. In order to obtain this result production, society used (out of the accumulated ed capital available, which is limited to a given ume, to wit, 60,000) twice as much fixed capital equip the second branch, and three times as much equip the third, as it did to equip the first. The tisans of the concept under examination pose the stion as to whether in society as a whole it is e that equal masses of labor in the branches of duction having greater average amounts of fixed ital create more value than in the branches hav- a smaller amount of equipment? And they an- r in the affirmative. (10) True, their explana- s of the manner in which this relationship is ermined vary. The most popular, however, is following: The entire mass of the newly created ie of the surplus product in the national economy 00 in our example) must be viewed as the re- of the application of living labor under the rage conditions of fixed capital appurtenant eto over the economy as a whole. Consequently, 1,250 units of surplus product are produced in nch A, 2,500 in branch B, and 3,750 in branch C. sequently, the "value" of the product in branch not 16,000, but 14,750, and that in branch C is 18,000, but 19,250. In other words, the price roduction appears to be the "social value." And e are some economists who assert this: the value is the price of production. (11) his concept is based on a sequence of crude confusions. Let us note, to begin with, that the adherents of determining value from the "average national economic level" of equipment of living labor expended in various branches of production by past labor, and proposing that price of production be recognized as equal value, are guilty of a non sequitur. If value really were created by living labor in accordance with the extent to which it is equipped with past labor in various fields, it would be necessary to distribute the entire newly created value in proportion to the fixed capital, i.e., not only the value of the surplus product but also that of the product for oneself, not only m, but v. If we take our example, the value in branch A would be equal not to the price of production (14,750), but to some third quantity (13,500), and in branch C it would be equal not to the price of production (19,250), but also to a third quantity (20,500). But the partisans of the concept under examination have not chosen to proceed that far in their logic.

What is the actual meaning of this "theory"? It is easy to establish that the authors are circling round in a ring of mutually exclusive hypotheses. On the one hand, they assert that the value of the surplus product created in each given branch depends upon the total mass of its value in the national economy and upon the portion of this mass that is proportional to the amount of capital employed in the given branch, i.e., they proceed from the proposition that, in equal pediods of time living labor provided with varying amounts of past labor creates different values in various branches of industry. On the other hand, they take as the

total national economic mass of value of the surplus product nothing other than the sum of the real values of the surplus product created in various branches, i.e., that assume that living labor creates equal values in the different branches in equal periods of time despite the fact that it is equipped with varying amounts of capital.

There is another reason why the partisans of this concept must circle in this ring of logical contradictions. The distribution of accumulated capital among branches of the economy (in accordance with the needs of society for the production of differing products), resulting in differing amounts of equipment for living labor in different branches, is an objective necessity conditioned by the existing level of development of the productive forces. Therefore it is impossible for capital to be redistributed arbitrarily for the purpose of creating some average level of equipment for labor in each branch of material production. Herein lies the fundamental difference between the conditions for the movement of value in the national economy and the conditions for its movement within a given branch.

The fact that average labor in various branches of industry, despite the fact that the degree of its equipment with means of production differs, does create equal value in equal periods of time is related to the dual nature of labor as abstract and concrete labor, to the fact that value is created by abstract labor. Within a branch, the different degrees to which various parts of the same concrete labor expended in different enterprises are equipped with capital, act upon the level of productivity of these portions of labor (i.e., upon the quantity of the given use value created by them) and thereby influence the degree of the objective necessity for them. In connection with the latter, each of the components of labor is included in the socially necessary labor of the branch of industry.

Within the national economy the different average levels of equipment for the living labor expended in each given branch as a whole (if these levels correspond to the proportions that have arisen in the national economy) do not give this departmental labor as a whole any special social necessity differing from its average level. If, shall we say, the living labor in branch A is equipped with past labor to the extent of twice the level existing in branch B, and in branch B it is five times the level of branch C, etc., one hour of labor in branch A will nonetheless be just as socially necessary to society as an hour of labor in branch B, in branch C, etc. This is explained by the fact that once the labor and the means of production are distributed in accordance with social requirements (i.e., in proper proportions), the mass of labor in each branch, no matter how the average level of its equipment with fix assets differs from that in any other branch, i that labor which it is objectively necessary to pend in this branch, producing the mass of use values of the given type required by society. specifically for this reason that it forms, in th capacity of expenditures of abstract labor, the value of the product created in this branch.

If we assume that volumes of social labor id cal as to time, intensity, and skill, expended i ious branches having different levels of equipr create different quantities of socially necessa bor, this would mean that identical average an of labor in the different branches appear as cr ators of different quantities of values. In othe words, value would be determined not by livin bor in the form of abstract labor, but by some combination of labor and means of production. It is true that this is counterposed by the cont that for the national economy as a whole the d tions from the average will cancel each other just as this occurs within a branch. Thus, all bor that is supplied with equipment at a level is the average for the national economy prove be value-forming labor. However, within each dividual branch the equalization and mutual ca celing of deviations constitute an economic ne sity. The branch has at its disposal a given m of means of production and labor power requi for the creation of a given mass of use values specific type. This is why the process at wor within the branch is of a dual nature. On the hand, different parts of concrete labor, equal quantity but unequal in the amounts of equipm available to them and, consequently, in produc ity, represent different quantities of socially sary labor. On the other hand, to the degree the entire labor employed — regardless of the gree to which it is provided with equipment — necessary for production, there will occur a elimination of the deviations from the average thus the entire mass of labor expended in the branch as uniform, average abstract labor, fo the value of the product manufactured therein.

The situation in the national economy is dif ferent. Here, this type of equalization at each dividual moment is objectively ruled out, and fore this assumption is a purely formal arithm abstraction and not an economic reality. The whole situation boils down to the fact that if, the conditions of production that have evolved at the given level of development of the produ forces, labor is equipped to differing degrees the different branches but is distributed propo tionally among the various branches, the aver labor in each branch (although it is equipped

rently) is equally necessary to society. It is his reason that the labor within a given branch cluded in social labor in the form of abstract r — the substance of value. This is why the uctivity of labor as a category related to living, rete labor, i.e., labor of the given industrial may increase or diminish, but will not affect alue of the product if the mass of abstract la- expended in this branch does not vary. This is no matter how the dynamics of the produc- y of labor in various branches may vary (in- ng changes due to varying degrees of change uipment), if the masses of abstract labor ex- ed in each branch are, on the whole, indentical, elationship among the values of the total vol- s of products in these branches does not change. e concept that envisages equalization of the ally necessary labor in terms of an average na- l economic standard of equipment of living la- with past labor, assumes the possibility of e kind of comparison of the absolute levels of r productivity in the various branches, although a comparison is meaningless in reality. This ept also assumes establishment of a relation- between the movement of labor as a value- ing substance, i.e., abstract labor, and its ement as concrete labor, although no such re- nship exists in reality.

us, the attempt to validate the need for "modifi- n of value" on the basis that, under conditions oduction involving developed productive forces, e itself changes its character, as it were, and nds upon the extent to which living labor is pped with past labor in various branches of pro- on, contradicts the labor theory of value. This ept leads to the creation of an imaginary gory signifying that value is determined not by its real substance — social labor — but also e means of production, and is essentially in rd with the theory of the productivity of the rs of production.

should be stated that the majority of econo- s adhering to the concept of "modification of " do not identify value with its modification upport the latter as the basis of price under lism for fundamental different reasons.

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e effects of various laws are mutually limiting. ver, this circumstance cannot in itself serve proof of the inevitability of such a limitation operation of the law of value as will lead not ly to a transient deviation of prices from s, but to a "modification of value," which then dly becomes the basis of price instead of itself. This modification would be essential f some economic law of socialism or some combination thereof could not function other than under the condition of a lasting modification of value.

An analysis of the factors giving rise to a deviation of prices from values shows that, insofar as they are conditioned by a discrepancy between the structure of requirements and the structure of production that has evolved, they are of a temporary nature and do not in any way require any continuing "modification of value." Nonetheless, the proposals calling for a "modification of value" are quite numerous. Let us examine them more closely.

Price of production is the primary modification of value we are asked to consider. (13) The basic reasoning employed to validate the need for this under socialism is as follows. This basis for prices links their level not only to current expenditures of production (c+v+m) but to the amount of fixed capital advanced by society to the given industry once and for all. Therefore, it is only such prices that are allegedly capable of facilitating, first, the most efficient utilization of these assets; second, the most rational channeling of capital investments; third, the creation of the most favorable conditions for the introduction of equipment; and fourth, of assuring equal conditions of economic activity in branches equipped with different quantities of past labor, i.e., of facilitating the strengthening of cost accounting.

If everything were thus, it would signify that the operation of the law of economizing on the labor of society, the laws of expanded reproduction, and the objective conditions of cost accounting actually do require a modification of value. However, examination of all these arguments in favor of prices of production readily reveals their lack of validity. Suppose the price of production actually provided a connection, via a "modification of the value" of the surplus product into the average profit, between the price level and the level of fixed capital advanced for production, thus causing price to deviate from value. What would be the real consequences of this? Would price of production, as distinct from value, stimulate a better utilization of capital in the given branch? The average planned profit, as an element of the price of production, would depend upon two factors: the total mass of the surplus product produced in the national economy and the amount of capital employed in the given branch, with the profit being calculated in proportion to the capital employed. Enterprises in each given branch would be stimulated to better utilize the fixed capital by the level at which the single price is set. However, insofar as there is no competition within a branch under socialism,

this stimulating effect of the price level would not differ in any way from the stimulating effect of any average uniform price for the branch as a whole, including a price based on value. Let us assume that price has been set on the basis of value and that the average profit as an element of price throughout the branch is equal to the value of the surplus product, i.e., to m. It is clear that the necessity for each enterprise to ensure this profit or even to exceed it will have the same effect in stimulating better utilization of capital as the use of average profit as an element in the price of production. Consequently, the price of production cannot have any supplementary stimulating role with respect to improved utilization of fixed capital in the absence of competition within the branch. Moreover, the price of production, by causing a deviation of price from value and by violating a proper social accounting of labor, not only does not reinforce the stimulating role of price but, on the other hand, weakens it, for it creates a piled-up multiplicity of deviations of prices from values with the resultant random effect of economic "profitability" and "unprofitability."

It is contended that prices of production allegedly provide real guidance in the most efficient utilization of capital investments. Reference is made here to the fact that determination of the effectiveness of variants of capital investment on the basis of the shortest possible recoupment period implies a practical utilization of price of production. However, these assertions will not stand up. Under the conditions of the spontaneous capitalist process of distribution of capital investments, average profit and inter-branch competition serve as regulators of the flow of capital. Under socialism the level of profit in a particular branch is not at all an index of the direction of capital investments. Differing levels of profit relative to capital invested in the various branches of industry do not at all mean that society will direct its capital investments into the fields yielding the maximum profit. The balance of the national economy, which reveals the optimum areas of utilization of means of production and labor power for the satisfaction of social needs, on the basis of a complete accounting of real outlays of past and living labor really determines the inter-branch distribution of capital investments. Therefore, fixing prices on the basis of value, and not on the basis of prices of production, not only does not violate the conditions of planned optimum utilization of capital investments but, on the contrary, creates these conditions, and reveals the real picture of labor expenditures in society.

Nor can the utilization of the price of production for selecting the optimum variant of capital investments within each given branch be deemed necessary. In view of the fact that under socialism there is not, nor can there be, a uniform average standard of profit in all branches serving as a factor in the inter-branch distribution of capital investments, it inevitably follows in reality that in each branch, given a particular organic structure of its capital, there will be a specific rate of recoupment, and only a comparison of this with the recoupment rates of different investment variants can provide any real index of their effectiveness. However, this specific branch recoupment rate is determined by the ratio of the mass of new value (v+m) actually created in each particular branch to the mass of value of the production capital employed therein, and therefore there will be no relationship here to the price of production. (14

It is asserted that utilization of price of production allegedly promotes the acceleration of technological progress. Is this so? Redistribution among the various branches of the value of the produced surplus product in the form of equal profit, calculated in terms of the amount of capital employed in production, at first glance promotes the introduction of new equipment in branches having a high organic structure, for it makes for a higher rate of profit than would be the case at prices that equal value. However, in this light the price of production can facilitate technical progress only under conditions of inter-branch competition and the regulation of inter-branch distribution of capital investments by the rate of profit. Both of these are absent under socialism. In this case the price of production, which artificially raises the level of profit realized by a branch of industry above the level of the value of the surplus product in branches having a high level of technology, and leads to the opposite results in branches where this structure is low, can serve only to disorient society in estimating the real conditions of reproduction required for calculation and planning of the optimum balance solutions with respect to the introduction of new technology.

Finally, it is alleged that the use of price of production is a condition of cost accounting, for places different branches of production on an equal footing in terms of profitability computed as an average rate of profit relative to the volume of capital in use. However, this argument is just as unjustified as that which we have just examined. Under socialism cost accounting has no relationship to inter-branch competition and the ebb and flow of capital. It rests on the mechanism of the movement of social value, i.e., reduction of individual values to social value, and lower than social value. The only mechanism that can serve this

ose is price based on value. By placing dif-
nt enterprises in a given branch on a plane of
ality, it stimulates enterprises run on the basis
ost accounting to maximum profitability and
sequently to a maximum reduction in individual
e. Of course, the price of production, which
ates the same kind of equal conditions for dif-
nt enterprises, would fulfill an analogous func-
. However, it would fulfill this function in a
h poorer manner, for by creating numerous
rtwined and overlapping deviations of prices
n values, the price of production by these very
ations would greatly complicate and confuse the
ess of reducing individual values to social
e, inhibiting this process and introducing numer-
random elements into it, etc.
is usually pointed out that the price of produc-
serves to further strengthen cost accounting
use it eliminates a condition that is inevitable
n price formation is based upon value, to wit:
setting of the highest level of profitability in
nches of low organic structure, and the lowest
l in branches of high structure. However, this
ment has no real meaning under conditions in
h there is no competition among branches of
economy (as is the case under socialism), and
n a mechanism of direct financial redistribution
e value of the surplus product in accordance
the needs of expanded reproduction is at work.
level of profitability, as it shapes up in the
ess of price formation on the basis of value,
ely signifies that each branch realizes that
e of the surplus product that has actually been
ted therein. The process of realization fulfills
he functions of stimulus through cost accounting.
ar as the utilization of the realized value is
erned, this will depend upon the process of
ct financial redistribution, just as would be the
if prices of production or any other "modifica-
of value" were employed.
us, the arguments which (in the thinking of the
cates of price of production) should reveal the
ctive necessity for its use under socialism as a
of socialist "modification of value" stemming
the economic laws of socialism, are invalid.
the efficient utilization of capital assets and
roper distribution of capital investments
ng the branches of industry, as well as the se-
on of effective variants of investment within
ches, the stimulation of the introduction of new
hology, and the creation of the most favorable
itions for the operation of cost accounting —
ese require not that prices of production, but that
be employed as the foundation for price forma-
Price of production would simply have a negative
ence on the most efficient flow of these processes.

After what has been said about the price of production, we may limit ourselves merely to a brief note on another variety of the concept of "modification of value," one that its proponents term "averaged value." (15) What is meant by this strange designation is a "modification of value" as the basis of price in the form of the sum of the prime cost (c+v) and the average profit (p) taken in proportion to the prime cost itself. The adherents of this concept hold that this basis for prices allegedly guarantees equal conditions of profitability for all enterprises and thereby facilitates a strengthening of cost accounting. In reality, however, prices constructed on the "averaged value" formula would be in direct contradiction to cost accounting, for the profit which would be realized in price in this situation would vary widely relative to the value of the product for itself. If the rate of profit relative to prime costs is, say, 10%, then the ratio of profit to wages would be 20% in fields in which wages represent 50% of prime costs, but 200% in fields in which wages are only 5% of prime costs. If prices were fixed in this manner, in our opinion, considerable damage would be done to cost accounting, for this is inextricably involved with the mechanism of personal material stimulus through the medium of the profit of the enterprise. In all remaining respects, "averaged value" contradicts the needs of rational development of the socialist economy as fully as does price of production, and it is actually no more than a modification of the latter.

A popular version of the "modification of value" idea as the basis of price is the concept that regards this modification as being the historically-conditioned, substantial downward deviation of the prices of means of production below their values, and the realization of the value of the surplus product created in department I through the price of products in department II, i.e., in a modification consisting of two controlled price levels: the low level (considerably below value) of means of production prices and the relatively higher level of consumer goods prices. (16) Defending this "idea," its proponents base themselves, first, upon the conditions of distribution of the value of the surplus product under socialism; second, upon the concrete conditions of reproduction within the branches of the socialist economy; third, upon the conditions for recoupment of expenditures within the state sector; fourth, upon historical practice; and fifth, upon the condition of active utilization of the law of value. It will be understood that the arrangement of these factors is very approximate, for the arguments of various economists in favor of this thesis are highly interwoven. However, we shall

select the most important and fundamental of the arguments.

Thus, the first argument in favor of recognizing the two existing levels of prices to be an objectively necessary expression of what is allegedly a "modification of value" inherent in socialism resolves itself into the view that only under these conditions will the necessary distribution of the value of the surplus product be achieved. "Under socialism, the exchange of commodities at their values," writes L. Maizenberg, "assuming the distribution of the total net income created in material production among the social sectors and branches of the socialist economy in proportion to the expenditures of living labor, could not assure the necessary conditions of expanded reproduction." (17)

However, this assertion would be valid only if redistribution through the medium of price were the sole channel for the required shifting of the surplus product, or in any way significantly resolved that problem in the required direction. In reality neither is the case. Redistribution through price must necessarily be combined with direct financial redistribution, with the latter playing the decisive role in the shifting of the value of the surplus product in accordance with the requirements of expanded reproduction. However, maintenance of the prices of means of production at a markedly lower level than value not only does not facilitate the solution of the planned tasks of the final redistribution of the value of the surplus product, but is directly in conflict with these tasks. We know that heavy industry creates a mass of value of surplus product which is not only sufficient to assure its own expanded reproduction, but sufficient to form considerable excess amounts to meet the general needs of the state. Nevertheless, given a substantial difference between the prices of means of production and their value — price being below value — there arises the need for large-scale financing from the budget for the purposes of expanded reproduction. Thus, redistribution of the value of the surplus product through prices does not at all solve the problems of its required distribution in accordance with the needs of expanded reproduction. Therefore, reference to this redistribution is by no means an argument in favor of accepting the present status of prices as a reflection of a "modification of value" which is necessary under socialism as the basis of prices. (18)

References to specific conditions of reproduction in branches of the economy are also used as an argument in favor of recognizing the present system of price formation as a reflection of the required "modification of value." "We speak," writes A. Kulikov, "of such a modification of the value of means of production (prime cost of production pl net income) as will serve as an objective criteri for price determination." (19) In the opinion of Comrade Kulikov this modification stems from t specific conditions of expanded reproduction in particular branches of industry. These condition of reproduction "are reflected in the level of branch prime costs, in the increase in the functi ing capital in production (fixed and circulating), i expenditures upon material stimuli to the collectives of enterprises (enterprise fund or analogou funds), in the training of skilled personnel, in the conduct of scientific research. All these conditions differ substantially in the various branches production and influence the cost of output. The profit realized in the prices of the products of th given branch of industry should, to a considerabl degree, guarantee expanded reproduction in that branch." (20)

What we see here is essentially a rejection of the objective value basis for prices even in its "modified" form. What Comrade Kulikov regard as a "stable modification" is really a deviation from value that comes into being as the resultan of a conglomeration of varying empirical factors reproduction. To take these into consideration a factors in price formation would, in the first plac signify the most varied levels of deviation of pri from values in the various branches and, second a continuous variation in these deviations. Let u suppose that industry A is not making any capita investments, or is making them at a low level, while on the contrary, industry B (the chemical dustry shall we say), is making them at a forced pace and at a highly elevated level. Consequentl according to Comrade Kulikov, the basis for pri in industry A has to be modified in the form of sharp downward deviation from value, whereas i industry B on the other hand, it takes the form o a pronounced upward deviation. In view of the fa that there is an extremely large number of such factors, and an even larger number of combinations thereof, the divergences will be just as numerous. However, this means that value disappears as a basis for price and that the "objec tive criterion" for price formation is replaced b an empirical and arbitrary judgment. (21)

The position of Comrade Kulikov directly con tradicts practical experience. The changing requirements of various branches of the economy terms of expanded reproduction, and the redistr bution of the value of the surplus product among them are achieved in socialist society (without v lation of the law of value) not through price, but through direct financial redistribution.

The next argument in favor of recognizing the

isting understatement of the prices of means of oduction relative to their values as a reflection objective necessity consists of referring to the ecific nature of the operation of the law of value. .. It is in relationships among state economic encies," writes V. Lopatkin, "that one finds the al economic basis for the operation of the law of lue, but not in its full aspect. Here the law of lue does not require the recoupment of the total lue. It requires the recoupment only of part of at value." (22) From the fact that all state enterises are the property of a single "owner," and at the value of the surplus product must in any se undergo planned redistribution, Comrade Lotkin draws the conclusion that it is merely the coupment of prime cost that is objectively reired by the conditions of cost accounting. Here u have the "modification of value" as the basis of ice. But this conclusion is merely the result of one-sided treatment of the movement of value der the conditions of socialism — only from the ewpoint of its ultimate distribution. However, the eration of the law of value as a law of commodity oduction embraces all the factors in the reproducn of value: its production, distribution, redistrition, and utilization. Therefore, the incomplete coupment of value in price, without, shall we say, olating the objectives of redistribution (although en this, as we have seen, is far from being the se!) contradicts the conditions of the production value, for calculation of the expenditures of soal labor is considerably interfered with, and erefore, in particular, this method of price formaon does not meet the needs of cost accounting and e entire system of material stimuli.

The concept that the existing understatement of ices of means of production relative to value is objectively necessary stable divergence is also opounded on the basis that this spread is of long ration and may therefore already be regarded as rmal. (23) Certainly, historical experience must thoroughly studied in the light of the problem that erests us here. However, by itself, reference to fact that a deviation of prices from values curs over the course of a specific historical pe-od does not constitute testimony to the effect that s divergence is objectively necessary for the ene period of socialism.

Finally, the position under examination is also pported on the grounds that "active utilization of law of value not only does not exclude," (says Sakov) "but, on the contrary, assumes a lasting ergence between prices and values." (24) The neral thesis to the effect that active, planned tization of the law of value is necessary, and that automatic price formation can be permitted is, of course, absolutely valid. In our examination of the conditions of planned operation of the law of value we saw how numerous are the factors that the prices of particular commodities deviate from value in one direction or another. However, all this does not speak in favor of fixed divergences, i.e., of a "modification of value" as the basis of price in general and, in particular, of a modification which assumes a lasting understatement of the prices of means of production relative to value.

In the opinion of M. Sakov, "stable deviations" of prices from values may be required by the "necessity of: a) taking into consideration the effective demand of the population and the volume of production of particular types of consumer goods; b) economically stimulating or limiting production and consumption of particular types of commodities; c) stimulating the introduction of new technology and progressive materials into production; d) stimulating a reduction in the costs of production and circulation, a utilization of by-products, as well as an increase in accumulations within the economy; e) properly distributing and redistributing the net income of society, and effectively mobilizing accumulations within the economy as centralized resources of the government." (25) This statement is a convincing argument not in favor of "stable deviations" of prices from values, but against them. True, the factors noted here arise as the temporary result of lack of correspondence between the structure of production and social needs, giving rise to a divergence of the prices of particular commodities from their values. However, in the first place, these are temporary and not lasting divergences, which disappear along with the disappearance of the temporary factors that give rise to them. In the second place, as deviations of prices from the values of various commodities in particular directions, they balance each other out and, in any case, cannot give rise to any long-term and stable understatement of the values of means of production in their prices as reflections of a real and objectively conditioned modification of value. With respect to the factors of distribution and redistribution of net income, these in themselves also do not require any "stable deviations" of prices from values.

Consequently, the correct proposition to the effect that active, planned utilization of the law of value under socialism is essential can and does explain the need for the prices of various commodities to deviate both above and below their values. But it definitely says nothing whatever in favor of any stable modification of value as the basis of price. Therefore, assertions to the effect that the establishment of prices on the basis of values would in any way be a realization of "petty

bourgeois dreams" with respect to an ideal realization of the law of value, "a step backward toward capitalism," constitute merely the employment of a bugaboo having not the slightest sign of logical validity in place of arguments.

In addition to the theoretical arguments on behalf of the concept that a "modification of value" is required in the form of prices sharply understating the values of means of production, we have to examine the "empirical proofs" adduced in favor of it. The first such argument states that price formation based on value allegedly places technologically advanced branches of the economy in a handicapped position relative to those that are technologically backward, and that this constitutes an obstacle to technical progress. (26) It is curious that the identical point of departure — an equalization of the conditions of reproduction — provides the partisans of the price of production with a basis for increasing the prices of products of the technologically advanced industries over their values, while the proponents of the "modification of value" under examination employ this to justify a sharp reduction of these prices below their value. Above, we have already noted that differences in profitability — higher in branches that have less than the average fixed capital, and lower in branches having more than that average — not only do not constitute a shortcoming of the price formation process under socialist conditions insofar as technological progress is concerned, but, on the contrary, constitutes an advantage. All this also applies to the arguments in favor of reducing prices of means of production below the level of value. However, the advocates of this concept also advance a further argument. Full prices for the means of production (prices correspondng to value), they assert, by making the means of production "more expensive" (than when prices understate value) would constitute a factor restraining technological progress, for if the prices of means of production are lower than their values, this serves in their opinion as a further stimulus to the introduction of new equipment and the replacement thereby of living labor, which is paid for at levels determined by the prices of consumer goods, i.e., higher than their values. However, this clearly artificial argument reflects a profoundly erroneous concept of the nature of technological progress. Socialist society introduces new equipment not for the sake of that introduction as an end in itself, but to save and ease the labor of society. Therefore, this introduction has to take place on the basis of a complete accounting of labor outlays and the economic effect thereof. (27) The creation, by an artificial imbalance of price levels for capital goods and consumer goods (which govern the level of wages), of stimuli for the replacemen of living labor by abstract labor when this yields economy of social labor is merely capable of inhibiting technological progress, and not of advancing it.

It is also stated that to base prices on value would allegedly create a "rigid" connection between the retail and the wholesale industrial price And inasmuch as retail price must allow for the factor of supply and demand, this might allegedly also make wholesale prices dependent upon the fl tuations of supply and demand. (28) This argume is also unrealistic. A system of prices based upo value assumes only that the general level of price in departments I and II will correspond to the values of the products therein, and does not at all assume that the price of each commodity will cor respond to its value. Moreover, the overstatemer or understatement of the prices of particular com modities relative to their values essentially balance out. Therefore, if the retail price of any giv en commodity is set at a level differing from its value in order to balance supply and demand, this does not at all require that the prices of means o production be changed.

It is sometimes held that to set the prices of mean production in accordance with their values is, as it w an "artificial," "hot-house" device for creating profitability and represents adoption of a "high price" policy. In reality, establishment of prices at the level of value is, in the first place, not an "artificial creation of profitability" but merely th uncovering of the profitability that really exists. Therefore, it creates the necessary prerequisite for reinforcing the material stimuli in cost accou ing and in the national economy for the reduction costs — stimuli which are weakened under the present system of price formation. In the second place, it does not constitute any replacement of a "low price" policy by a "high price" policy. Pric policy is not a "low price" (in the sense of artificial depression beneath value) nor a "high price policy (in the sense of artificial maintenance abo value). It is an objectively validated price policy that takes into consideration the value of the prod ucts manufactured, and has as its purpose the reduction of prices as value diminishes. Therefore assertions to the effect that the basing of prices upon value is, in some way, a rejection of a polic of "low prices" and a replacement thereof by a policy of "high prices" (29) does not correspond t the actual policy of the Party in the utilization of the law of value in the field of pricing.

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Examination of the empirical as well as of the theoretical arguments in favor of the theory of a

iodification of value" as the basis of planned ices clearly reveals that these arguments derive)m the implicit acceptance of the methodologi- lly invalid proposition that the distributive and re- stributive functions of price are its primary func- ns. Actually, price, as the monetary form of lue, not only exercises a most important function the process of production itself (the function of cial accounting of labor, and the means of in- rporating individual and collective labor into so- al labor), but the fact is that this last is the most portant of all the functions of price. This is no cident. It is precisely the primacy of the function value in production that determines that the func- n of price in the process of production is primary compared to its functions in the distributive and distributive processes and in the process of cir- lation. All this is ignored by those who assert t various temporary needs of redistribution egedly create the objective necessity for lasting difications of value as the basis of price, even if s involves interference with the decisive function price — its function in production.

Thus, the general conclusion that may be derived)m an examination of the problem of the "modifi- ion of value" as the basis of prices under the nditions of socialism lies in the fact that there e no real objective conditions for such a modifi- ion, and that the factors regarded by certain)nomists as making for such modifications, either not at all require any deviation of price from ue, or constitute factors making for temporary viations of prices from the values of particular nmodities, either upward or downward, and not tors making for a stable "modification of value" the basis of price. It is only value as such that stitutes the objectively necessary basis of price. e planned utilization of the law of value in price mation consists, in general, of maintaining the n of the prices of the products of both depart- nts I and II at the level of the sums of the values rein, with temporary upward or downward devia- ns of the prices of certain products therefrom in ordance with the requirements of the most effec- e maintenance of the process of socialist repro- tion. (30)

Footnotes

1) With the exception of special circumstances, example, when prices are employed as a device long-term limitation of consumption (of vodka, acco, etc.).

2) Let us assume that the metallurgical indus- engages in exchange with the machinery indus- and with construction, but that the source of a substantial portion of its accumulations is the surplus product created by branches of the light manufacturing and foodstuffs industries. Thus, direct commodity-exchange relationships among branches of industry do not meet the requirements of final distribution of the mass of the values of the surplus product.

(3) The actual, significant divergence between prices and values of commodities in departments I and II came into being at the end of the transition period and has been preserved purely as an historical heritage, the economic conditions for which are already gone. This dictates the need for the most rapid reorganization of the price system in accordance with value. This problem has been examined in fuller detail in our article in Voprosy Ekonomiki, 1957, No. 2.

(4) Voprosy Ekonomiki, 1958, No. 1, pp. 93, 98.

(5) ibid., p. 98.

(6) ibid., p. 103.

(7) See Zakon stoimosti i ego rol' pri sotsializme, A Symposium, Gosplanizdat, 1959, pp. 11-12.

(8) See the following articles published in the magazine Voprosy Ekonomiki: I. Malyshev (1957, No. 3), D. Kondrashev (1957, No. 5), L. Maizenberg (1957, No. 7), M. Sakov (1957, No. 12), and B. Mints (1958, No. 1).

(9) c_1 - amortization

(10) For example, I. Malyshev writes: "The productive force of labor always depends upon the presence of fixed productive capital. The personnel in a field whose fixed capital is increasing, although they receive the same real wages begin to produce more surplus product for society than the personnel in another field in which the tools of labor have remained unchanged." (Voprosy Ekonomiki, 1957, No. 3, p. 103.) This position is organically related to Malyshev's denial, along with that of other economists (i.e., V. Sobol'), of the existence of commodity production under socialism — a grossly erroneous concept that requires special examination.

(11) See the article by L. Vaag in Voprosy Ekonomiki, 1959, No. 8, p. 139. This thesis is restated in a somewhat more veiled form in the article by L. Vaag and S. Zakharov, "On the Estimation of Economies" (Voprosy Ekonomiki, 1960, No. 7). In this article, the authors, holding that only value can express "the total expenditures of social labor" (p. 104) contend that the method which makes possible the discovery of "the real social expenditures of labor" is that under which it is necessary "to view m as proportional to the fixed and circulating capital of the enterprise, i.e., in accordance with the modification of value termed

the price of production" (p. 105). Only labor outlays determined in this manner can, in their opinion, correspond to their "real social valuation." From the foregoing propositions (in which the authors, it need hardly be said, permit substitution of the objective category of value by the subjective category termed "evaluation of labor outlays") it follows that, in the opinion of the authors, price of production is value.

(12) It is precisely this view that is advanced by L. Vaag and S. Zakharov, who assert that in accordance with their proposed "method of evaluating labor outlays, only such expenditures of state funds for the introduction of new technology would be deemed economical which facilitates the reduction of prime costs and, consequently, the creation of surplus product on a scale no smaller than the average coefficient of economic effectiveness for the national economy." (Voprosy Ekonomiki, 1960, No. 7, p. 110.)

(13) See the following articles and papers in Voprosy Ekonomiki: V. Sobol' (1959, No. 8), I. Malyshev (1957, No. 3), L. Vaag and S. Zakharov (1960, No. 7), and Z. Atlas (present issue of the journal).

(14) Nevertheless, some economists contend that the employment of standards of recoupment in the practice of the socialist economy allegedly implies the employment of prices of production (see article by L. Vaag and S. Zakharov in Voprosy Ekonomiki, 1960, No. 7). Let us also note that only if one ignores differences in the organic structure of capital is it possible to propound a thesis (as L. Vaag and S. Zakharov do) to the effect that only investments facilitating "the creation of surplus product on a scale not smaller than that corresponding to the average coefficient of economic effectiveness" (p. 110) are economical. It is clear that, given differences in the organic structure of the capital of various branches, each will have its own specific rate (relative to the value of capital) of surplus product and, consequently, of effectiveness of investment.

(15) See article by A. Bachurin in the symposium, Zakon stoimosti i ego rol' pri sotsializme, and the article by D. Kondrashev in Voprosy Ekonomiki, 1957, No. 5.

(16) See the following articles published in Voprosy Ekonomiki: L. Maizenberg (1957, No. 7), A. Kulikov (1958, No. 8), M. Sakov (1957, No. 12), as well as the article by V. Kopatkin and the introductory article by N. Tsagolov in the symposium, Zakon stoimosti i ego rol' pri sotsializme.

(17) Voprosy Ekonomiki, 1957, No. 7, p. 86.

(18) The divergence of procurement prices for agricultural products from the value thereof continues to play a significant role as an instrument of redistribution of a portion of the value of the surplus product created in the collective farm cooperative sector of production for general state purposes. However, in this case, the redistributi role of price may not only function without any harm whatever to the matter at issue, but on the contrary, the price system has clearly benefited b the substitution of direct final redistribution (for example, by the inclusion in the procurement pric of the required contributions to the general state fund, and so on).

(19) Voprosy Ekonomiki, 1958, No. 8, p. 100.

(20) ibid.

(21) It is curious that A. Kulikov speaks out in contradiction to his own assertion that the requir ment, posed by the law of value, that exchange be equivalent "is not violated if the principle of establishing relatively low prices is applied more or less uniformly to all types of means of produc tion." (Voprosy Ekonomiki, 1958, No. 8, p. 99.) We are not dealing here with the assertion that a uniform deviation of the prices of means of production from their values allegedly does not viola the requirements of the law of value (in reality, th exchange of means of production is not limited to its own framework, for the costs of production of these products include expenditures for the payment of labor power, the level of which is determined by the prices of consumer goods). We mer ly note that if the factors he listed really induced a modification of value as the basis of price, this would give rise to the most diverse levels of devi tion of prices from the values of the various mean of production, and consequently, from the point of view of Comrade Kulikov himself, would be in con flict with the law of value.

(22) See Zakon stoimosti i ego rol' pri sotsializme, pp. 221-222.

(23) ibid., p. 9.

(24) Voprosy Ekonomiki, 1957, No. 12, p. 107.

(25) ibid., p. 108.

(26) See the following articles in Voprosy Ekonomiki: M. Sakov (1957, No. 12), I. Konnik (1958, No. 1), and A. Kulikov (1958, No. 8).

(27) This follows directly from the familiar theorem on the limits to employing machinery under socialism and capitalism, as determined b the economies of total labor or only of paid labor respectively. Strangely, it is specifically this con cept that L. Vaag and S. Zakharov attempt to den (Voprosy Ekonomiki, 1960, No. 7). They constru their refutation upon a quantitative calculation based upon the proposition that the capitalist, in employing a new machine, "earns" only from the

(CONTINUED ON PAGE 63)

Planovoe Khoziaistvo, No. 10, 1960

VOLODARSKII:

evaluation of Fixed Capital in the Soviet Economy

The continuous growth of fixed assets, and the provement therein in terms of level of technology presented, are among the decisive factors in the eation of a material and technical foundation for mmunism. The high rates of growth of social oduction, and the improvement in the quality in- ces of the operation of enterprises and branches the national economy are due primarily to the gh rates of growth of fixed capital in production d its more efficient employment.

The planned utilization of the national income dur- g the period of socialist construction for the pur- se of effecting an increase in the economic power the country, and the steady rise in the living andards of the Soviet people have made it possible bring about a rapid rise in fixed assets in all anches of the economy. A comparison of the gures for 1959 and 1928 shows that the fixed as- ts of the Soviet economy, including cattle, grew by 6 times in that period (in comparable prices, with- t deduction of depreciation). Within the frame- rk of this significant increase in all fixed capital, e fixed capital in production increased by 7.3 nes and that in nonproductive sectors rose by 2 times.

We know that enormous losses of fixed capital were experienced by the Soviet economy in the Second World War. The areas subjected to occupation saw the destruction of thousands of factories and mills, power plants, railways, the slaughter of cattle, and the razing of entire towns and villages. The advantages of the socialist economic system made it possible for the Soviet government during the war to carry out a major program of construction in the central and eastern districts of the country and to begin the execution of major efforts at restoration of the economy in the districts freed from foreign occupation. Subsequent to the termination of World War II the fixed assets of the Soviet economy were not only restored but multiplied. At the beginning of 1960 the value of fixed assets in the Soviet economy had reached 2.4 times the level of the pre-war period, and within this total, the fixed capital in production had risen to 2.8 times the prewar figure.

The following data for 1928 to 1959, given in comparable prices and without considering depreciation testify to the growth of fixed assets in the USSR as a whole and in its major individual branches (1928 = 100).

	1940	1950	1955	1959
All fixed capital (including livestock)	230	273	395	558
Including:				
Fixed capital in production	256	325	511	729
Of which:				
Industry and construction	852	1343	2305	3284
Agriculture:				
Including livestock	123	125	193	255
Excluding livestock	227	236	447	612
Transportation and communication	371	435	584	837
Fixed capital outside of production	211	230	300	418

n its successful realization of Lenin's program the industrialization of the national economy, our country directed the bulk of capital investments into the areas concerned with the production

of material goods — industry and construction, primarily. As a consequence, the value of fixed assets available for productive purposes in these branches of the national economy rose by 32.8 times from 1928 to 1959. The fixed assets in all other branches of the economy also increased considerably.

The process of rapid growth of fixed assets in production led to a change in the relationship between the total value of the productive and nonproductive assets. At the beginning of the First Five-Year Plan the fixed assets in production were smaller than the total nonproductive fixed assets. At present (January 1, 1960), the value of the productive fixed assets is 59% of the total value of all fixed assets in the Soviet economy.

To accelerate the creation of the material and technical base of communism, the Party and government are channeling the great bulk of capital investments into industry, particularly heavy industry. As a consequence, the value of fixed capital in industrial production has increased by 280% since 1940.

The technological reconstruction of the country's economy in the postwar years made possible extensive employment of industrial methods of construction, resulting in a considerable increase in fixed assets in this field. As compared to the prewar years, the value of fixed assets in construction rose by 470% by the beginning of 1960.

The industrialization of the country also made it possible to equip agriculture, transport, communications, and other branches of the economy with modern equipment.

There was a 100% increase in fixed capital — including livestock — in agriculture from 1940 to 1960, and a 170% rise — without livestock. There has also been a considerable increase in fixed assets in other fields of production of material goods — transportation, communications, procurement of agricultural produce, material-technical supply, trade, and public catering.

The Communist Party and the Soviet government manifest constant concern for the fullest possible satisfaction of the needs of the Soviet people. In this area we see an annual increase in the capital in housing and municipal services, education, science and art, public health, and social assistance. The value of fixed capital in areas other than production rose by 98% from 1940 to 1960. Fixed assets in housing increased by 80% during this period.

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Under a decision of the Soviet government an inventory and revaluation of the fixed assets of the Soviet economy have been made as of January 1, 1960. This undertaking, enormous in scale, is of the very greatest significance in terms of the tasl posed by the 21st Congress of the CPSU with respect to the all-round development of the produ tive forces of the country and the creation of the material-technical foundation for communism.

Fixed assets will increase at a high rate during the current Seven-Year Plan. The volume of stat capital investments in the national economy from 1959 to 1965 will rise by 80% compared to the pre ceding seven years. During this period the fixed assets of the USSR will double.

Significant changes will have to occur in the level of technology represented by the fixed asset on the basis of a fundamental reconstruction, expansion and technological re-equipment of enterprises now in operation, the introduction of integrated mechanization and automation, and the modernization and replacement of equipment.

The planning of expanded reproduction requires detailed and complete data on the scale, value, technology, depreciation and distribution of fixed assets by type and purpose, by branches of the economy and territorially. The data resulting fro the revaluation will be of great assistance to the planning and economic agencies in their studies o the fixed capital available in the country, in the various branches of the national economy and in industry, and in the solution of problems involved in the reproduction, replacement, and moderniza tion thereof.

The data resulting from the revaluation and inventory of fixed assets have reflected, in all-side fashion, the changes that have occurred in the tec nical level of equipment, machinery, and other types of fixed capital. As a consequence of the re valuation, the accounts of enterprises and organi tions have come to reflect the current replaceme cost of fixed assets, with due allowance for obso lescence, and conditions have been created for proper amortization allowances, thus providing fo expanded reproduction and timely capital repairs The principal objective of the revaluation was to determine the volume and technological composi tion of fixed assets in the form of a unified, up-to date estimate.

Prior to the revaluation fixed assets were carried on the books of enterprises and agencies in the form of mixed estimates built up over man years and reflecting changes in wholesale prices of industrial products and the costs of construction.

This type of estimate did not permit the establishment of proper rates of amortization of fixed assets, and in a number of instances this resulte in artificial overstatements or understatements o production costs and consequently in an incorrec

cture of the profitability or unprofitability of varis enterprises. This pertained specifically to the troleum, iron ore, and certain other branches of dustry, for amortization deductions represent a nsiderable proportion of the cost of production in ese fields.

In order to assure a uniform valuation of fixed pital in line with present replacement costs, and provide amortization schedules reflecting the al degree of deterioration of fixed capital, the valuation was based on the current prices of all ed assets (structures, buildings, equipment, nsport facilities, housing, etc.) for which amorzation charges are made, and the percentage deeciation was determined.

As a result of the revaluation the books of enterises, economic councils, ministries and agencies flect not only the current value of fixed capital, t the actual quantity on hand and the technological ake-up of each type of fixed asset in physical its. This is most important for purposes of sucssfully resolving the problem of locating and proding adequate work-loads for the productive cacities of enterprises and construction agencies.

The new amortization schedules that will now be t up should correspond to the production techlogy and take into consideration the need for odernization and replacement of the stock of mainery and equipment as technology progresses. ese schedules will have to be worked out for each pe of fixed asset in accordance with the intensity th which it is employed and the number of shifts operation, and must provide for the replacement d repairs of fixed capital in connection with solescence.

The revaluation of fixed capital on January 1, 60, was carried out in state and cooperative orizations (except for collective farms and instituns supported out of the state budget) in acrdance with a unified procedure developed by the ntral Statistical Administration of the USSR in njunction with the State Planning Committee, the te Construction Committee, and the USSR Minisof Finance.

The revaluation covered all fixed assets, whether ise or not, under repair, undergoing modernizan, in mothballs, in reserve, spares, rented or de over for temporary use elsewhere, in all nches of the economy, the economic councils, nistries, agencies, executive committees of Soes of Working People's Deputies, and cooperaes (except for collective farms).

The replacement cost of obsolete types of mahery and equipment not currently being manuured in our country was determined for pricing poses, by comparing their output capacity or power rating with analogous up-to-date equipment currently being manufactured in our country.

Fixed assets were revalued on the basis of replacement cost, without reckoning physical depreciation, i.e., without determining residual value. Simultaneously, the physical depreciation of each type of fixed asset was determined on the basis of the actual condition of the item at the time of revaluation as a percentage figure characterizing the degree of depreciation of the item, and also in value terms (the product of the total replacement cost and the percentage depreciation).

The most reliable method of determining the degree of deterioration of an item is, of course, a careful examination of its technical condition in the form of a physical inspection of its individual parts, assemblies and units, or of the object as a whole. Engineering and technical personnel engaged in the operation and maintenance of fixed capital were involved in this work of estimating the degree of depreciation.

The length of time during which the item had been in use was the suggested basis for estimating depreciation of common and simple types of fixed capital (such as ties, telegraph poles, tools, working livestock), and of concealed structures or transmission facilities not accessible for physical examination (pipelines, cables, etc.).

The successful performance of so enormous an economic and technical undertaking as a revaluation of fixed assets is inconceivable without the organization of all the efforts of preparation and performance of the revaluation being thought out in advance.

Special revaluation committees were set up at all enterprises and organizations, bureaus, trusts, combines, economic councils, ministries and agencies. They included accountants, mechanics, power engineers, and other engineering and technical personnel thoroughly familiar with the installation, operation and repair of the machinery, equipment, buildings, structures, and other types of fixed assets. More than 3 million persons in industry, construction, agriculture, transport, and other branches of the national economy, were involved in the work of determining replacement costs and depreciation. As a consequence, more than 80 million items were revalued.

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The replacement cost of all fixed assets of industrial enterprises and agencies covered by the revaluation as of January 1, 1960, came to 2,001.1 billion rubles, which exceeds by 12%, or 220.4 billion rubles, the original value at which they were carried on the books prior to this census.

Under the instructions governing the revaluation,

as worked out by the Central Statistical Administration, the State Planning Committee, the Ministry of Finance, and the State Construction Agency of the USSR, no revaluation was made of certain categories of fixed assets — tools, inventory, livestock, etc. They were entered in the reports at their initial cost (they constituted only 3% of the total fixed assets).

To arrive at the total value of fixed assets in the entire national economy, it is necessary to add to the foregoing the value of the fixed assets of agencies maintained out of the budget, of the collective farms, and of the population. On the basis of these calculations the value of all fixed assets in the USSR on January 1, 1960, came to about three trillion rubles.

The revaluation resulted in an increase of 466.8 billion rubles in the estimated original value of a portion of the fixed assets, and in a reduction of 246.4 billion, of another portion.

The revaluation showed the value of buildings, structures and transmission facilities estimated at replacement cost to be considerably higher than the value at which they had been carried on the books (original cost). The value of power-producing and working machinery, equipment, measurement and control devices and instruments, and of transport equipment, was found to be lower than the initial value.

The particular significance of the work performed lies in the fact that the revaluation of fixed assets as of January 1, 1960, carried out in the form of a total inventory, made it possible to derive a complete picture of this fixed capital — by branches of the national economy, models, territory, departmental jurisdiction, etc. In the course of this inventory, numerous shortcomings in methods of accounting at the various enterprises were overcome (such as the mistaken classification of certain types of equipment as structures or transport facilities or, vice versa, of transport facilities as equipment, etc.). This provides complete and carefully verified data.

In the total value of all the country's fixed assets, fixed productive assets in industry represent 27%, those in agriculture — over 14%, in transport and communications — 13.1%, in construction 1.8%, and in the other branches of the economy — 2.7%. Housing represents 31.8% of the country's entire fixed assets, urban and household services — 2%, and public health, education, science, etc. — 7.5%.

The largest single industrial category is metal-processing and the manufacture of machinery, which accounts for 20% of the fixed capital of industry.

The fuel industries have 17% of all industrial fixed assets. The power industry has 11.9% of al the fixed capital assets of industry, the iron and steel industry — 9.6%, and the food industry — 9.1%. Each of the remaining branches of industr (chemicals, lumber and paper, light manufacturi etc.) represents 4 to 6% of all fixed assets in industry.

The composition and structure of fixed assets on January 1, 1960, for all the enterprises and organizations conducting the revaluation are characterized by the following data:

	Replacement Cost	
	Billions of rubles	% of total
All fixed assets:	2,000.1	100.0
Of which:		
Buildings	896.6	44.8
Structures and transmission facilities	538.2	26.9
Power machines and equipment	83.5	4.2
Driven machines and equipment	259.9	13.0
Measuring and control instruments and devices, laboratory equipment	13.5	0.7
Transport facilities	151.4	7.5
Instruments	1.7	0.1
Manufacturing and business inventory and accessories	17.4	0.9
Other fixed capital	38.9	1.9

Of great interest in any characterization of the structure and composition of fixed assets are da on the classification of fixed assets by particula type, and of these types by branch of the econom

The distribution of particular types of fixed assets among the branches of the economy depen on the special features of the latter. For examp in heavy industry the percentage of fixed assets represented by structures and transmission devices is several times as large as in other branches of industry. Thus, in the oil-extracting coal and gas industries, structures and transmis sion facilities represent from 64 to 85% of all fixed assets. These types of fixed assets also represent a very high percentage of the total in

e oil refining industry, in non-ferrous metals, d in electric power production, constituting from to 52% of the total in these fields. Structures d transmission facilities represent from 8 to % of the total in branches of manufacturing in- stry, specifically, in machinery manufacture and etal processing, light manufacturing, and food- iffs.

Buildings constitute the largest single component the fixed assets of light manufacturing (43%), as ll as in machinery manufacture and metal proc- sing (39%), and are least important in oil- traction (3%), gas (10%), coal (11%), oil refining %), and in the manufacture of electric power and rmal energy (14%).

The foregoing also explains the fact that the bulk %) of all power and driven machines and equip- nt (including instruments) is concentrated in in- stry. Nearly one-half the total value of struc- es and transmission facilities is found in indus- , and about two-fifths is in transportation.

The largest components in the value of fixed sets in industry are power and driven equipment, uctures and transmission facilities, which to- her account for two-thirds of the fixed capital in s branch of the economy. The share of buildings also very high (somewhat more than one-fourth all fixed assets in industry), whereas the share transport media is only 4%.

Sixty-seven per cent of all power and driven ma- nery and equipment is concentrated in four nches — metal processing and the manufacture machinery, the iron and steel industry, the fuel ustry, and the production of electrical and ther- l energy. The relative share of power and driven ipment is relatively small in the oil-extraction l coal mining industries.

n the process of revaluation it was found that the lacement cost of certain types of fixed capital s higher than the original cost, whereas in other egories it was lower. The replacement cost of ldings and structures, for example, was higher n the original cost. This situation is primarily to the fact that a considerable portion of the ldings and structures now in use was built prior 949, i.e., during a period when lower prices e charged for construction and installation work h those of July 1, 1955; the latter were employed he revaluation. The value of buildings erected or to 1949 was increased by 20 to 70% by the aluation, whereas the increase was even greater structures erected prior to the revolution. The aluation reduced somewhat the value of buildings structures erected in the 1949-1955 period. ldings and structures whose construction was un after July 1, 1955, and which went into operation prior to January 1, 1960, were not re- valued and therefore were entered at their original book value.

A different situation prevailed with respect to equipment. As a result of the revaluation the ini- tial value of machines, equipment and transport facilities was reduced by 8 to 11%. This situation is explained by the fact that four large reductions in wholesale prices occurred subsequent to 1949: on January 1 and July 1 of 1950, on January 1, 1952, and on July 1, 1955. In this connection the average level of wholesale prices for machinery and equipment as of July 1, 1955, the prices in which the revaluation of the fixed assets was per- formed, were considerably lower than the price levels prevailing at earlier dates.

The discount for obsolescence of a portion of the machinery, equipment and transport facilities also entered into the reduction from the initial value of these items. The revaluation of obsolete types and models of machines and equipment manu- factured in earlier years was performed in ac- cordance with the established instructions on the basis of the cost of analogous modern equipment, discounted, however, for difference in power and rated output, and for obsolescence of design. A corresponding price reduction for obsolescence of specific types of equipment was provided in the revaluation handbooks (price lists) prepared by re- search and planning agencies.

The change in the value of fixed assets as a re- sult of the revaluation was as follows in the vari- ous branches of the economy (including only those enterprises and agencies covered in the revalua- tion). (See table shown on the top of the following page.)

The replacement cost of fixed assets was lower than original cost in most branches of industry: ferrous and nonferrous metals, fuels, machinery, metalworking, chemicals, etc. Only in the light manufacturing and foodstuffs, lumbering and paper industries, and in the coal industry, was the re- placement cost of fixed assets higher than the ini- tial cost.

Simultaneous with the revaluation of fixed assets, their technical condition was ascertained, i.e., the degree of physical wear and tear. The physical de- preciation of all fixed assets in the Soviet economy as a whole averages approximately 25%, consti- tuting a value of more than 500 billion rubles. The depreciation data for various types of fixed assets are presented in the table shown in the middle of the following page.

In view of the fact that fixed capital employed in production is used more intensively its physical depreciation averaged 26%, whereas the

	Ratio of replacement cost to initial cost (initial cost = 1)		Ratio of replacement cost to initial cost (initial cost = 1)
Total fixed capital of enterprises and organizations subject to revaluation	1.12	Communications	1.24
Of which, within the following branches of the economy:		Procurement of farm produce	1.15
Industry	0.98	Material and technical supply and sales	1.09
Construction	0.89	Trade and public catering	1.08
Agriculture (state farms and other state-owned farm enterprises)	1.07	Housing	1.33
Transport	1.33	Municipal and household services	1.20
		Public health, education, science and science services, art, etc.	1.16

	Physical depreciation (in %)
All fixed assets	25
Of which:	
Buildings	22
Structures and transmission installations	26
Power machinery and equipment	29
Driven machinery and equipment	30
Measuring instruments, devices, and laboratory equipment	25
Transport facilities	31

depreciation of nonproductive fixed assets was somewhat smaller — 22%.

The physical depreciation of fixed assets in various branches of the national economy of the USSR is characterized by the following data. In industry it came to 25%, in construction — 27%, in agriculture — 26%, in transport — 29%, and so on.

The degree of depreciation of fixed capital in industry (which averages 25%) varies from branch to branch, rising as high as 32% in the lumber, paper, and woodworking industries. The depreciation of fixed assets is somewhat above the average in the light manufacturing and foodstuffs industries, and also in machinery manufacture and nonferr metals. Fixed assets in the cement industry an at power plants have undergone a somewhat mo limited depreciation (18%).

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The inventory and revaluation of fixed assets have yielded exceedingly valuable material for further improvement of the planning of replace and utilization of fixed capital in all branches o the economy. A thorough study and analysis of material will make it possible to improve the utilization of fixed assets, to increase the effici of capital investments in all branches of the ec omy, and this in turn will, as noted at the July, 1960, Plenum of the Party Central Committee, itate an improvement in the general level of ec nomic activity at enterprises.

The revaluation is of major significance for proper determination of amortization rates and mean a more precise computation of costs of p duction in all branches of the economy.

As we know, production costs reflect the dep tion of fixed capital inasmuch as a portion of it value is transferred to the finished product in t process of production. The funds acquired thr amortization deductions are employed to cover depreciation of fixed capital: capital repairs, modernization and new construction, i.e., they ticipate in the process of replacement and gro of the fixed assets. This is why proper determ tion of amortization rates is so important. Th data derived from the revaluation will be of co siderable help in establishing new amortizatio rates.

e data obtained on the physical wear and tear
ed assets is of considerable interest, both
etical and practical, inasmuch as these data
make possible a more accurate determination
e total depreciation and the need for new fixed
al, particularly machinery and equipment, in
us branches of the economy.
the process of revaluation it was established
n a number of cases the depreciation charges
ed on the books of enterprises did not reflect
ctual condition of fixed assets and were signifi-
y understated. This situation stemmed from
llowing. We know that for a number of years
epreciation charges were computed on the ba-
f the original (and in various cases, under-
d) cost of the fixed assets. At the same time,
nditures on capital repairs (which reduce the
of depreciation) were computed on the basis
gher costs. This combination of circumstances
an artificial reduction of the total depreciа-
carried on the books of enterprises, and to a
tion in which the economy suffered considera-
sses in the process of liquidating worn-out
assets.
sses also occurred for other reasons. Thus,
me enterprises losses arose in the liquidation
ed assets because of improper utilization and
sinesslike maintenance of these assets, with
esult that they went out of operation earlier
should have been the case. Losses due to li-
tion of fixed assets were not reflected in the
of production and circulation, or in the results
e economic activities of enterprises, for they
written off their statutory capital. These
mena failed to provide stimuli to improved
ation of the fixed capital, and certain indices
nomic activity of enterprises and organiza-
failed to accurately reflect the true state of
s.
branches of industry face the important task
curing a further improvement in the utilization
ed capital. One of the necessary conditions
uccessfully meeting this task is the availability
curate data and indices characterizing the
ation of fixed capital.

After the revaluation the depreciation figures on the books of each enterprise were corrected and brought into line with the real status of the fixed assets, and the real residual values of the fixed assets were determined. This means that the necessary prerequisites for more effective efforts for the best possible utilization of amortization funds have been established, and the conditions producing losses due to inadequate amortization of fixed capital have been eliminated.

As a consequence of the revaluation and the establishment of the value of fixed capital in a unified and up-to-date estimate, it becomes possible to elaborate and introduce into planning and accounting practice a system of indices characterizing the degree of utilization of fixed assets, and in particular, an indicator of the value of output produced per unit of value of fixed assets.

One of the most important sources of accelerating the rate of economic development is an improvement in the utilization of the productive capacities of the enterprises now in operation, and an increase in the output derived per unit of fixed capital. Under a system of estimates based on mixed bases, the establishment of indices of utilization of fixed assets would not reflect the real state of affairs. Today it is possible to establish indices of this type for enterprises, economic councils, and branches of industry.

The data yielded by the revaluation should be thoroughly studied by scientific agencies, planning and economic organizations and, on this basis, measures should be worked out directed toward an improvement in the utilization of fixed assets in the national economy.

The data of this revaluation can and should be employed by the planning and economic agencies in solving the complex of problems involved in the planning of the geographic and branch distribution of fixed capital, the efficiency of utilization of existing capital and of capital investments, the production of new capital goods, the utilization of amortization funds, etc., and all this will make it possible to raise the level of economic work in all branches of the country's national economy.

Planovoe Khoziaistvo, No. 10, 19

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Major Changes in the Structure of Modern Industry (1)

Numerous factors help to determine the branch structure of industry. These include the nature and mode of production, the presence of various natural resources and the degree to which they are utilized, the position of the given country in the system of international division of labor, historical traditions, the occupational composition of the population, etc.

The decisive factor in shifts in the relative weights of branches of industry in any country is the progress of technology. Technological progress exercises an immense influence in deepening the social division of labor and in further complicating the relationships and proportions prevailing within the economy. These relationships and proportions are not frozen for all time by any means. They are in a state of constant change and rearrangement. In its most clearly defined form this is expressed in changes in the rates of growth of the various branches of industry. Therefore, in studying structural shifts major attention must be given to changes in the relationships among the growth rates of the various branches and sectors of production and to revealing the degree to which these changes are progressive ones.

The operation of these factors which determine the branch structure of production in any given country is governed by the social system existing therein.

In the socialist countries the branch structure of industry develops under the influence of the practical necessities and objectives of communist construction, which provide for the uninterrupted growth of the productivity of social labor and a maximum rise in the people's standard of living. It develops in planned fashion, proceeding from objective economic laws whose existence is recognized, utilized by the governments of these countries.

In the capitalist countries the branch structure of industry reflects all the characteristic faults of capitalism. The economies of these countries are characterized by disproportionate development, with proportionality "being established only as the average of a series of constant fluctuations," (2) by business cycles, chronic underutilization of installed capacities, unemployment, enormous nonproductive expenditures, and the existence of branches which are hypertrophied in terms of the interests and needs of society, such as the manufacture of luxury goods, the advertising business, etc. The enormous military expenditures exercis a distorting influence upon the structure of produ tion.

V. I. Lenin observed that the tendency to stagna tion does not mean that capitalism is incapable o progressing rather rapidly during various histori cal periods, or that in the era of imperialism tec nology is condemned to a complete standstill. Th reinforcement of the power of the monopolies cor plicates the development of technology to an enor mous degree, further increases the power of the capitalists relative to the working class, and intensifies the class struggle. As a result, the con tradiction between the productive forces and the capitalist productive relationships which inhibit their development, becomes even sharper. Unde socialism the obstacles to technological progress are eliminated, and it is not the acquisition of maximum profit that becomes of decisive importance but achieving economies of living and abstract labor. The rates of technological progres increase.

The social consequences of technological devel ment are entirely different. In socialist countrie automation and mechanization of production resu in increasing the productivity of social labor and on this basis, give rise to an improvement in the material well-being of the members of socialist society. In capitalist countries the consequences are a rise in unemployment, a reinforcement of the power of the large monopolies, and an exacerb tion of all the contradictions of capitalist society

In order to win the largest amount of time in t peaceful economic competition with capitalism, t socialist countries face the problem of bringing about such a distribution of all their resources o labor, materials, and goods, by branches of the economy and districts of the country, as will fac tate technological progress in the national econo to the maximum degree and assure a maximum i crease in the productivity of social labor.

In this connection, the need to discover those shifts in the branch structure of modern industry

ich create the best conditions for economizing living and abstract labor is of particular im-rtance.

The Increasing Importance of Industry in the National Economy

Technological progress is expressed primarily the fact that productive processes previously per-rmed by hand now are carried out by machine. is process is not limited to the sphere of the pro-ction of material goods. The achievements of ctronics and cybernetics have facilitated to an ormous degree the tasks faced by persons work-in the sphere of mental labor (the collection and stematization of information, and within limits, analysis, the preparation of various mathemati-variants, etc.), and have made it possible for n to increasingly concentrate his efforts on the ution of truly creative problems.

Technological progress is also expressed in the nsfer of a number of processes and fields of oduction from the areas of agriculture, trade, nstruction, public catering and housework to that industry. This tendency is not new. In his early onomic works at the end of the 19th Century, V. Lenin, using Russia as his example, made a eful and profound analysis of these phenomena. wever, it was only after the Second World War t this transition took on so large-scale, varied d intensive an aspect that one could safely speak a new qualitative leap in the development of the dern economy.

In the first place, industry is providing agricul-e with a system of machines providing for com-te replacement of hand labor. Industry supplies iculture with power sources, a great variety of m equipment needed for the cultivation of the l, the harvesting of crops, and the mechanization ll jobs involved in livestock raising.

Second, industry undertakes functions which until ently were regarded as the indisputable preroga-e of the agricultural process. A huge feed in-try is being established, in which the products of chemical industry (minerals, urea, etc.), the rmaceutical industry (antibiotics, steroid her-nes), and the by-products of the meat packing, canning, oil-extracting, flour milling and other ustries are employed to provide feed for agricul-e. Each year the share of mineral fertilizers in total supply of fertilizers becomes larger.

In the third place, industry removes from the ere of agriculture those processes of production taining to the post-harvest period and to pre-ing the produce for use. Elevators with up-to-minute equipment, and other similar large-scale receiving stations accept grains, cotton, soya, beans and other crops regardless of their moisture content, quality, and cleanliness. A considerable portion of all fruits and vegetables reach the consumer only after industrial processing. Large branches of industry have been established for the processing of livestock products: meat-packing, dairy, creamery, milk, wool-cleaning, cheese, powdered egg production, etc.

The introduction of the latest technology into agricultural production causes a number of these production processes to acquire an industrial character. For example, typically industrial methods — specialization, mass production and mechanization — are becoming increasingly characteristic of fowl raising and livestock farming.

Thus, the increase in labor productivity in agriculture and the reduction in the agricultural population occurring in all industrial countries are a consequence not only of the increase in the number of machines, but of a direct reduction in the functions of agricultural labor. Karl Marx noted that "a considerable portion of the nonagricultural population performs work in the service of agriculture, providing it with constant capital (which increases with the advancement of agricultural methods) in the form of mineral fertilizers, foreign seeds and all kinds of machinery." (3)

This process influences the relationship between the rates of growth of industry and agriculture in favor of the former. Industry grows more rapidly than agriculture for a number of reasons. It creates means of production, the rates of growth of which are higher than the rates of growth of consumer goods in any form of society. The rates of growth in the production of a number of agricultural products increasingly coincide with, "tie in with," the rates of increase in the population, and so on. The higher rates of growth in industry are also explained by the fact that the sphere of activity of agricultural labor is narrowing from year to year.

The transfer of a number of branches and fields of production from agriculture to industry, and the gradual limitation of the sphere of agriculture to functions involving the biological process of production does not at all mean, however, that agriculture is disappearing as a branch of material production.

Industry is taking over a number of the functions of construction. A major new branch of industry has come into being — the manufacture of structural components and of plumbing fixtures. The building site is increasingly being converted to a place where industrially-fabricated components of buildings and structures are merely assembled. Soviet achievements are particularly noteworthy in this respect.

The packaging and crating of foodstuffs is, for all practical purposes, being removed from the sphere of trade. The increase in the volume of commodity turnover by means of automatic vending machines, and the expansion of self-service markets is resulting in a reduction of the proportion of salespeople — the traditional majority category of trade employees — in this field. Their place is being taken by checkers, decorators, cashiers and warehousemen. Numerous enterprises producing semi-prepared foods for the restaurant industry are coming into being.

Various machines designed to facilitate and cut down on housework are coming into being. In addition, industry is taking over such functions of housework as laundry, dry-cleaning, the preparation of semi-cooked foods, sewing and knitting (the clothing and knitgoods industries), etc. The manufacture of electrical appliances for household and cultural purposes is becoming a major branch of industry in all highly industrialized countries. These appliances have become a major necessity of life and are changing the way of life in the most radical fashion.

The transfer from other spheres to industry of a number of areas and functions of production is a highly progressive phenomenon. Industry assures mass production and specialization, and on these foundations, a vast improvement in the productivity of the labor of society.

Relationship Between The Growth of the Raw Material and the Processing Branches of Industry

A most important change in the branch structure of industry in the postwar years is the changed relationship between the rates of growth of the raw material producing and the processing industries in favor of the latter.

Electric power plants, transportation, and the iron and steel industry are the largest consumers of fuel. Analysis of data in these fields shows that a considerable reduction in fuel consumption per unit has occurred. In the USSR and the USA the consumption of conventional fuel per kwh. is approximately 40% below the prewar level. The fuel consumption of the railways has been cut by 75% per unit of freight transported as a result of the conversion to Diesel traction. The consumption of fuel in automative transport has also been reduced as the result of conversion to more modern engines. The consumption of coke per ton of pig iron in the USSR and in other countries has been reduced by 20% relative to prewar years. In general, the rates of growth of the fuel industry are considerably lower than those of branches of industry consuming fuel. This tendency is characteristic of all highl industrialized countries, although the absolute rates of growth of the fuel industry in countries i which industry is developing rapidly, particularl in the socialist countries, show an extremely rapid rise.

A comparative reduction in the rates of growth of the fuel industry is explained by the increase the percentage of motors and other prime mover of high efficiency in the system of power mechanisms, by the change in the fuel balance involvin an increase in the share of petroleum and gas, which are of high calorific value and which also make for a higher efficiency of the machines and assemblies employing this fuel, as well as by achievements in the technology of fuel combustio

A considerable change has occurred in the rel tionship between the rates of growth of the iron a steel industry and the branches employing metal in favor of the latter. Between 1950 and 1959 the consumption of rolled steel per unit of output of t machinery manufacturing industry diminished in all countries. This increasing spread between th rates of growth in the melting of ferrous metals and in industry as a whole is explained by the general intensification of production, a consequence of which is that more output is derived fr each unit of metal converted to machinery and equipment. Another factor is the increasing proportion of special and longer-lived stainless stee the increasing share of stamping and rolling of special sections, and in this connection, the redu tion in wastage of metal. Finally, there is the re duction in the share of those branches of machin manufacture that are heavy consumers of metals (locomotives, freight car, and shipbuilding), and t rise in the share of fine and precision machinery manufacture.

The transition to prestressed concrete is reducing considerably the consumption of cement p unit of construction work.

In the textile industry, recent years have seen considerable increase in the proportion of lighte weight fabrics. As a consequence, each ton of co ton and wool yields more fabric (in yardage) and the rates of growth of the industries processing cotton and wool are proving to be more rapid tha the tonnage requirement of cotton and wool.

In the food industry the yield of sugar per unit of raw material, the yield of vegetable oil, etc. i increasing as a consequence of the use of more modern technological processes.

Thus, the following regularity may be established. A given product undergoes a number of stages in its progress from raw material to finished object. In each of these it is a finished

duct in relation to the preceding branch of in-
try, and raw material for the subsequent one.
e rates of growth of the branches processing the
duct (the subsequent stage) are higher than
se of the branches supplying it as raw material
e prior stage).

The reduction in the consumption of raw materi-
, fuel and other materials per unit of output is
result of an increase in the efficiency of the pro-
tive apparatus and the introduction of more
dern technological methods of production, and in
ticular of chemical methods, under which the
ste involved in the process of production is either
irely eliminated or sharply reduced. In a num-
of instances the transition to the production of
her quality products exercises a major influ-
e on the reduction in raw material consumption.

The establishment of this regularity does not
an that the processing industries must always
elop more rapidly than the raw material indus-
es. In the nonferrous metals industry, for exam-
, an ever-increasing quantity of ore has to be
overed from the earth to produce a given amount
metal. This is due to the depletion of the richest
posits. The increase in the efficiency of
ipment is expressed in part in the fact that a
t of equipment processes an increasingly great-
amount of raw material in a unit of time. The
material producing branches must, of course,
vide uninterrupted supplies for the economy as
hole. In some cases the high rates of growth of
tain raw material producing branches may be-
ne the point of depature, the stimulus for a for-
rd leap of industry as a whole.

The clearly defined tendency for the share of the
shed product to increase in the total social
duct is one of the most important indicators of
increased efficiency of social labor, of eco-
nies of social labor. For the socialist countries
law is pregnant with enormous possibilities for
elerated development of the forces of production.
fact is that with more or less unchanged rates
rowth of the raw material extracting branches
ndustry a considerable rise in the production of
shed output is now possible.

New Fields of Production

most important characteristic of the technologi-
revolution now under way is the vast increase
ew fields of production and branches of indus-
The new fields of production now appearing
be divided into two groups. The first group
sists of fields whose destiny it is to replace
ting ones. Thus, the locomotive is being re-
ed by Diesel and electric traction, natural soap by synthetic detergents, natural silk by snynthetic, etc.

The second group of new fields creates new needs. In this category we may place nuclear reactors, semiconductors, helicopters, television sets, radar and radio navigation equipment, electric refrigerators, tape recorders, syntehtic fibers having properties lacking in natural fibers, etc.

The stimuli for the development of these two groups, and their rates of growth differ.

The fields of production which are designed to replace former types of output must be economically more efficient. The efficiency coefficient of a Diesel used for railway traction is 28 to 32%, while that of a steam engine is 5 or 6%. The time required to wash clothes is reduced by 15 times when soap is replaced by synthetic detergents. Only one-tenth as many man-hours are required to produce a ton of artificial fiber as to produce a ton of wool, etc. In the capitalist countries the stimulus for the expansion of these new types of production is the pursuit of a higher rate of profit, whereas in the socialist countries it is the struggle to economize on the labor of society.

The situation with respect to the second group of new products, those which create new needs, is somewhat different. In the capitalist countries the decisive stimulus for firms undertaking the manufacture of new products is the hope for monopoly profits. There is a period of time during which the given corporation monopolizes the production of a given product, and as long as this lasts it may count on obtaining the monopoly profits plus a profitable sale of patents. However, the capitalist method of developing new fields of production is very costly to the economy. Suffice it to say that of every seven new types of products offered for sale on the market, five do not find acceptance and are taken out of production. It is hardly necessary to point out the enormous waste involved in the funds that go into the development of these products and into their advertising.

In the socialist countries the introduction of new products is effectuated by including, in the production plan, direct assignments for the manufacture of given products in specific quantities and of a stated quality.

The growth rates of new products appearing to replace the old are high at first. Thus, in its early period, the manufacture of Diesel locomotives proceeded at a high rate, but subsequently this rate came to be governed by the rise in freight traffic and the rate of amortization. The same situation is observed in the production of synthetic fibers. Artificial fibers today lack a number of the

advantages, from the point of view of hygiene, that are enjoyed by natural fibers. In the future, however, when syntehtic fabrics will have the same hygienic properties as natural fabrics, and their level of production per head of population will be in accord with a scientifically determined standard, the growth rates of syntehtic fabrics will be determined by the rates of population growth.

A more complex problem is presented in the field of plastics, whose function it is to replace metals, leather, wood, fabrics, etc. Technologically speaking, the problem of replacing older products by plastics has been solved. The matter resolves itself into one of economic feasibility and price relationships. The higher the production of plastics, the lower will be their costs of production and prices, and the greater the opportunities that will open up for their sale. To the degree that they are capable of replacing light metals, steel, leather, and wood, the prospects for growth are virtually unlimited.

Other tendencies are characteristic of the new types of products which create new needs. Thus, at the outset the rates of growth of production of TV sets, refrigerators, washing machines and the like, are very low. Then, as the volume of production rises, prices are cut, and this expands the market. A period of high rates of increase sets in with the object of saturating the market with these products, and this continues until the available number of these appliances becomes approximately equal to the number of families.

Major Branches of Industry

It is characteristic of the development of industry that certain branches emerge to the fore which, by their scale of operation and the technical level of their production, exercise a major influence upon other branches of industry and upon the national economy as a whole.

Prior to World War I the large-scale expansion of the railway network exercised an enormous influence upon the economic life of Russia and the USA. This gave rise to a demand for freight cars, locomotives and rails, which in turn required a greater production of steel, and consequently the extraction of larger volumes of coal and coke, a rise in the manufacture of equipment for the steel industry, etc.

In the period between the two world wars the automobile industry became the leading branch of industry in the USA. The expansion of auto production gave rise to a large demand for rolled steel (sheet), nonferrous metals, rubber, gasoline, ball bearings, etc. The increase in the manufacture of automobiles led to an improvement in precision all fields of machinery manufacture and to an increase in the technological level of the country,

In the years 1928 to 1940 the Soviet Union face the problem of technological reconstruction of al branches of the national economy. This required an expansion in the production of all types of ma chinery and equipment. During these years the average annual increase in the manufacture of m chinery was 28%. For the period 1928 to 1940 as whole, the manufacture of machinery and equipm in the USSR rose twenty fold.

Today, the leading branches of industry are th manufacture of machinery, the production of ele tric power, and the chemical industry.

The production of electric power has an enormous revolutionary effect upon the structure and technology of all branches of industry. The influ ence of electric power upon the economy is dete mined not by the time required to produce it but the scale on which it is produced. Today, when t output of electric power in the USSR is calculate in the hundreds of billions of kwh., the influence the power industry upon the economy of the coun try is very great indeed. The annual installation of millions of kw. of power meant the developme of a large-capacity power industry requiring gre amounts of special steels, nonferrous metals, au matic controls, and the like. Cheap electric pow made it possible to establish large-capacity ele trical smelting and electrochemical industries. The production of light metals has reached a hig level. The share of electric motors in the country's power apparatus has risen. As a result, th overall efficiency of the country's power machinery has risen considerably. A rise in the amount of electric power available per worker i one of the most important factors required for i creasing labor productivity.

From the national economic standpoint what is decisive is not the mass of fuel produced but the amount of energy that may be obtained from its consumption. A ton of petroleum may be burned the furnace of a locomotive at a 5% efficiency co ficient, or in a Diesel at 5 to 6 times this efficie The conversion of fuel to electrical energy is to the most efficient method of using it. It is impo tant to note that prior to World War II the dynam of energy production (steel, petroleum, gas, and hydroelectric energy converted to convential fue units) coincided with the dynamics of industrial duction as a whole. However, in the postwar yea the rates of increase in industrial production we considerably higher than those in the production energy. This is explained in part by the fact tha during this period the share of energy going into

eration at electric power plants doubled, and the rall efficiency of the country's power resources reased. An analogous phenomenon is observable ll the highly industrialized countries of the rld, with the consequence that there is a vast ing of social labor.

t the present time one of the leading branches he chemical industry, and above all, the produc- of synthetic fiber, plastics and synthetic rub- . The role of these products has become im- tant in the national economy only in the postwar rs, although they have existed for decades. uring the first years of their development, these nches produced synthetics replacing products de of organic raw materials. However, it soon ame possible to produce materials with proper- specified in advance, and the synthetics ceased ng mere substitutes. Moreover, the raw mate- ls employed to make these products changed in postwar years. Polymer chemistry, utilizing roleum and gas, has at its disposal a cheap and tually inexhaustible supply of raw materials. he enormous scale on which the production of thetic materials is carried on has changed the ure of the raw material base upon which a num- of branches of industry rest. The textile and wear industries have acquired cheap raw mate- ls, the resources of which are unlimited. Con- uction, the machinery industry, the packaging ustry and, to a considerable degree, the clothing ustry and other branches, employ a completely type of material — plastics. Synthetic fibers plastics are highly economical and this makes sible a considerable improvement in the produc- ty of the labor of society.

uring the postwar years the percentage of chinery manufacture in industrial production has wn a continuous increase. Analysis of the data ndustrial development in the highly industrial- d countries (the USSR, the USA, England, and st Germany) shows that normal reproduction re- es that the national economy concentrate about -third of its industrial workers in the manufac- e of machinery and equipment.

the industrial countries the manufacture of hinery makes possible, in its structure and e, a reorganization of the production process in branches of the national economy on the basis of extensive employment of automation and mechan- ion in production. All the required technologi- prerequisities exist for the development of auto- ic systems of machines, for continuous produc- processes in many branches of industry, and the maximum automation and mechanization of e processes.

owever, in capitalist economies progressive tendencies are increasingly in conflict with the capitalist relationships of production, which inhibit and distort these tendencies and, in a number of situations, give rise to insurmountable obstacles to their realization. Suffice it to say that the increasing chonric underutilization of manufacturing capacities results in ever increasing quantities of machinery and equipment being required to produce the same volume of output. It must also be considered that no less than 25 or 26% of the total output of the machinery producing industry of the USA is used for military production and that, consequently, these machines do not become material elements in the process of expanded reproduction. Nevertheless, technological progress finds a way even in the capitalist countries despite enormous difficulties and colossal social costs.

The following general lines of development may be distinguished in current technological progress:

a) conversion to continuous production;

b) the employment of chemical methods of production;

c) the mechanization and automation of production, and automation of control over the course of production;

d) conversion from organic, natural raw materials to syntehtic materials with previously specified properties;

e) reduction in the size of products per unit of capacity.

These lines of technological development are effectuated on the basis of the electrification of all productive processes and to the degree that the machinery manufacturing industry supplies all branches of the economy with the appropriate machinery and equipment.

The branch structure of machinery manufacture in the USSR reflects, for example, not only the present structure of the national economy, but the structure provided for in our long-range plans. Thus, the high level of development of the manufacture of railroad equipment reflects the high relative weight of railway transport in the freight turnover of the country. Along with the branch structure of the machinery manufacturing industry it is also necessary to study the structure of machinery manufacture in terms of the technological features of production, in terms of the share of those branches of machinery manufacture which assure the shifting of the country's entire economy to a higher technological level. The progressive branches, those whose share in the production of machinery must increase, include electronics, forging-and-stamping, and hoisting-and-transport equipment. Machinery manufacture also must provide the leading branches of industry — electric

power and chemistry — with modern equipment.

The rates of growth of all the major types of electronics — military, industrial, and household — are exceptionally high in all industrially developed countries. The development of electronics has given rise to such branches as the transistor industry, without which the solution of the most important problems of modern engineering is unthinkable.

Forging-and-stamping equipment is of great importance. The higher rates of growth in this branch of the machinery manufacturing industry produce a favorable change in the structure of the machine tool supply by cutting down the number of turning and milling machines and increasing the share of grinding, precision, and similar machines. This increases the ratio of output produced to metal consumed, and reduces metal wasted as chip.

The manufacture of hoisting-and-transport equipment also must be increased at a forced pace. We know that the lower output per worker in many Soviet enterprises, when compared to similar enterprises abroad, is explained primarily by the fact that numerous loading and unloading operations at these Soviet enterprises are mechanized to only a slight degree. However, according to available data each ton of finished output at modern machinery manufacturing enterprises involves about 100 tons of loading and unloading operation

Extensive research is now under way in the US on the compilation of interbranch balance sheets which make it possible to determine mathematic correlated relationships among the various bran ches of the economy. One of the important stage in the solution of this problem is the determinati of those branches and fields of production which have to grow more rapidly than the average for t given branch and for industry as a whole, and co sequently, how their relative weight in industrial production must increase, and which are the branches and fields that must grow less rapidly.

An increase in the percentage share of the branches of industry manufacturing means of pr duction (group "A") is a law of development of in dustrial countries. Within this group, the most rapid rates of growth must be those shown by branches producing the tools of labor (power equ ment, transfer mechanisms, control and measur instruments, driven machines, and tools for all branches of the economy, etc.).

The share of machinery manufacture, the chem ical industry and electric power exhibits a systematic increase in total American industry.

Relative Weight of Major Branches in Industrial Production in the USA
(in % of total)

Branches	Years								
	1929	1937	1947	1950	1955	1956	1957	1958	195
Machinery, chemicals electric power*	31.6	30.8	38.3	38.5	44.2	45.0	46.2	45.3	46.7
Light manufacturing, foodstuffs	22.6	21.2	25.4	22.9	19.5	19.2	18.9	18.3	19.6

* Preliminary data show that this figure will reach at least 55% by 1970.

The increase in the share of machinery manufacture, the chemical industry and electric power reflects the greater role of those branches of industry whose scale and structure of production determine the nature, rates, and level of technological progress in all branches of the national economy.

It is worth noting the considerable decline in the share of light manufacturing and the foodstuffs industry in American industry, despite the transfer of a number of functions and fields of production from agriculture to industry. The tendency, inherent capitalism, for capital to multiply itself and the limited possibilities for sale of the social produ stemming from the antagonistic conditions of dis tribution, lead to a significant and constantly increasing disproportionality in the development o the branches that produce means of production a consumer goods, although the degree to which th American people are provided with certain types of foodstuffs and articles of clothing, footwear, a household goods is far from meeting their real nee

There are a number of types of products whose put is declining steadily in the USA. They in- de: natural soap, building bricks, radiators, ck powder, nautral silk (consumption), anthra- e, cotton cord, butter, and woolen fabrics. The reduction in the output of these items has a iety of causes. Antracite is being forced out by re economical types of fuel — petroleum and s. Nylon cord is longer-lived than cotton. The placement of building brick by concrete blocks only reduces building costs but facilitates the chanization of construction. Major changes are urring in the supply of fats. The production of ter is being reduced and an increase is taking ce in the consumption of margarine, which costs y a fraction as much as butter. An increase is o taking place in the consumption of special food s. Natural soap is being replaced by synthetic ergents, which are incomparably more economi- and cheaper. As a rule, this substitution is gressive, for it represents a significant econ- y of social labor.

n the postwar years in the USA the manufacture machinery, the chemical industry, the output of ctrical energy, tools and instruments, and of lding materials, rose more rapidly than did in- trial output as a whole. The same is true of the er industry. Ferrous and nonferrous metallurgy, fuel, textile, clothing, leather footwear, and dstuffs industries progressed at less than the rage rate.

n the machine-building industry the following nches grew more rapidly than the field as a le: electronics, electrical equipment, forging- -stamping, pump and compressor manufacture, hoisting-and-transport equipment. So did in- ument manufacture. Growth at less than the rage rate was revealed by the agricultural ma- nery industry, the machine tool industry, ship- lding, and equipment for light manufacturing and food industry.

n the chemical industry, growth at more than the rage rate occurred in the plastics, synthetic r, detergent, syntehtic rubber, chlorine, caustic a, potassium fertilizer, antibiotic, and the in- ticide and fungicide fields. Growth at less than average rate was noted in the production of sul- c acid, phosphorus and nitrogen fertilizers, nts and varnishes, sodium carbonate, and prod- s of the pharmaceutical industries.

he rates of increase in industrial production in USA are so low (2.4% per year from 1953 to 9) that even the small rise in labor productivity ecent years (about 3% per year) results in a e in production without increasing the number loyed. The number of persons employed is diminishing in the coal, metallurgical, automotive, shipbuilding, rubber, lumber, textile, clothing, leather footwear, foodstuffs, and tobacco industries. The number employed is growing in the metal mining industry, in oil and gas extraction, in general machinery, electrical equipment, the tool industry, the chemical, printing, and paper industries, and at electric power plants. However, this increase cannot cover the reduction in employment in other fields, with the consequence that the number of persons employed in American industry in the postwar years reached its maximum in 1953. All this results in a pronounced increase in the number of unemployed and in an intensification of the suffering and dissatisfaction of the American people.

Thus, the technical changes and the vast increase in labor productivity which should increase the people's living standard, result under capitalism in an intensification of all the contradictions within society and in an increase in the degree of exploitation.

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The transfer to industry of a number of branches and functions of other areas of production, the more rapid rates of growth of the processing industries as compared to the raw material producing industries, as well as the development of new fields of production, the decisive significance of electrification, chemistry, and machinery manufacture in social reproduction — all these phenomena manifest themselves differently in the various countries. In some countries these trends are very distinctly evident, whereas in others they are no more than tendencies — in some instances only beginning to make their appearance — the realization of which will take time.

In the development of long-range plans for the development of the economy of the USSR, the study of shifts in the branch structure of industry is of enormous significance. The Soviet Union is setting itself the task of creating an industry that will be the world's most advanced not only in the technology of production, but in structure as well, for only under this condition is it possible to assure the world's highest productivity of labor and to win time so as to defeat capitalism in economic competition in the briefest possible period.

Footnotes

(1) From data of the Economic Research Institute of the USSR State Economic Council.

(2) V. I. Lenin, Collected Works, Vol. 3, p. 545 (Russian edition).

(3) Karl Marx, Teorii pribavochnoi stoimosti, Part II, p. 153.

Planovoe Khoziaistvo, No. 7, 1

A. VEDISHCHEV:

Three Years of Work Under New Conditions — An Economic Survey

It is three years since the implementation of the truly revolutionary decision on the reorganization of management in industry and construction. Historically, this is a brief span, but even these three short years have given convincing proof of the vast advantages of the new system.

The reorganization of management in industry and the steps taken to further develop the collective farm system, Comrade N. S. Khrushchev has pointed out, "are not only of enormous practical and national economic significance, but also of great theoretical and genuinely programmatic importance for the successful solution of the tasks of the gradual transition from socialism to communism." (1)

The period under review reveals the foresight of the Party Central Committee which, pursuing the Party's general line firmly and consistently, is doing a big job in perfecting socialist forms of national economic management. Life has upset the sceptical predictions of the anti-Party group which opposed the reorganization of management in industry and construction.

The new system of management in industry embodies the Leninist principle of democratic centralism, based on the combination of unified centralized management in the national economy and "local initiative and a multiformity of ways, methods and means of advancing to a common goal." (2) The masses are being drawn more and more into national economic management, their creative initiative and activity are being developed. This is evidence of the further improvement of socialist relations of production, which exert a growing influence on the development of productive forces.

The reorganization of management in industry and construction has extended the rights of the Union Republics in the management of economic construction. This has contributed to the further enhancement of the Soviet people's material and spiritual forces, strengthening their friendship and promoting mutual aid in their triumphant advance to communism.

Concentrated in the hands of the republics and economic councils is a huge material, productio scientific and technical base. The industries ru by the Councils of Ministers of the Union Repub lics now account for 94% of output as against 47 1955. On the eve of reorganization, Soviet indus trial enterprises and construction sites were un the jurisdiction of 438 ministries and departmen Today, instead of this cumbersome system there are only 102 economic councils managing these enterprises and construction sites. The industr enterprises run by the economic councils accou for 71% of total output, and that includes the enti output of steel, oil, etc. The economic councils are in charge of more than 20,000 large industri enterprises of nation-wide import, employing ab 15,000,000 people.

The advantages of the new forms of manageme in industry and construction are manifested mos vividly in the further expansion of the socialist economy, the better utilization of internal produ tion potentialities and natural riches, the pre- schedule construction and commissioning of ind trial enterprises, the growing labor productivity and greater profitability. The territorial princi of management has eliminated departmental bar riers which weakened and often even led to viola tion of normal relations of production. It has al created conditions for greater specialization an cooperation, elimination of irrational shipments better employment of engineers and technicians and reduction of managerial staffs. The organi tion of industrial and construction management the territorial principle has made it possible to run enterprises and superintend construction in more concrete manner and has given rise to an tensive socialist emulation movement.

Much experience and factual material have be accumulated in the course of the three years an they allow us to thoroughly assess the merits o the new system of management, draw the

essary conclusions and make proposals for its rovement.

his survey does not claim to be a detailed ysis. The author has merely set himself the of summing up the results of the work done er the new conditions on the basis of the lable statistics, and to show what the organiza- of industrial management on the territorial ciple has done to develop the country's econ-

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General Results

The effectiveness of the system of management in industry and construction is evidenced chiefly by the accelerated process of expanded socialist reproduction and the increase of the Soviet Union's economic might. Soviet industry, increasing the absolute volume of production from year to year, is developing at a rapid rate. In recent years it has made another great leap forward, increasing the volume of output by almost 50%. This is shown by the following figures:

	1956	1957	1958	1959	1960*
Gross industrial output					
in % of preceding year	111	110	110	111	111
in % of 1956	100	110	120	133	148

* Actual level in the first quarter

he maintenance of high annual rates of indus- l growth makes it possible to rapidly increase absolute volume of growth of industrial output. he economic councils' first year of operation increase in gross industrial output exceeded the eding year's increase by 17 billion rubles, in second year — by 32 billion rubles, in the third — by approximately 52 billion rubles. In the e years from July 1957 to July 1960 the in- se in gross industrial output was about one- l above the increase in the preceding three s.

rogressive changes have also taken place in the ch structure of industrial production. The rate rowth has been fastest in the leading branches eavy industry that contribute to the over-all ress in the national economy. While the total me of industrial production between 1957 and rose approximately 1.3 times, machine- ing and metalworking production went up 1.5 s, chemicals — 1.4 times and building materi- - 1.8 times.

e rates of growth in output and the absolute eases for the most important items are shown e table on the top of page 54.

e fulfillment of production plans improved the very first year of the territorial system nagement in industry and construction. The entage of enterprises not fulfilling their plans ed from 25 in 1956 to 11 in 1959. In 1959 So- ndustry produced 50 billion rubles worth of s over and above the plan.

The distinguishing feature of socialist production — a steady rise of labor productivity — is increasingly evident in the new conditions. The increase came to 6.6% in 1957, 6% in 1958, and 7.4% (the plan provided for 5.4%) in 1959.

The economic effectiveness of the territorial system of management in industry and construction is evidenced by such qualitative indices as a reduction in production costs and an increase in accumulation. Prior to the reorganization of management state plans for the reduction of production costs regularly remained unfulfilled. Since 1957 they have been constantly overfulfilled. In the three years prior to the introduction of the territorial system of management (1954-1956) industrial production costs exceeded the planned figure by 2.6 billion rubles; in 1957-1959 there was a saving of 27.4 billion rubles in excess of plan.

Total expenditures per ruble of commodity output are steadily decreasing, as may be seen from the figures below (in the economic councils' industries, in prices of the corresponding years, in kopeks):

	Plan	Actual
1956	—	93.2*
1957	—	92.9
1958	92.9	91.3
1959	91.4	90.1*

* For all industries

Item	Unit of Measurement	Absolute Increase			Rate of Increase in %			
		1957	1958	1959	1957	1958	1959	1960 First Quarter
Cast iron	million tons	1.2	2.6	3.4	4	7	9	9
Steel	million tons	2.4	3.9	5	5	7	9	11
Rolled metal	million tons	2.4	2.7	3.9	6	7	9	11
Steel pipes	million tons	0.4	0.4	0.6	9	10	13	13
Oil	million tons	14.5	14.7	16.9	17	15	14	16
Gas	billion cubic meters	6.5	9.6	7.3	48	48	25	30
Electric power	billion kwh.	17.5	23.5	28.6	9	11	12	13
Chemical equipment	billion rubles	0.1	0.2	0.6	9	12	55	62
Metal-cutting lathes	thousand units	8.7	8	8	5	6	5	0.3
Commercial timber	million cubic meters	12	19	10	5	6	5	2
Cement	million tons	4	4.4	5.5	16	15	16	17
Prefabricated reinforced concrete components	million cubic meters	4	5	7	52	31	29	27
Cotton fabrics	billion meters	0.1	0.2	0.4	3	4	7	10
Woolen fabrics	million meters	14	21	24	5	7	8	9
Footwear	million pairs	27	43	36	9	12	9	11
Meat	thousand tons	444	249	836	15	8	25	36
Sugar	thousand tons	137	943	600	8	21	11	—
Fat	thousand tons	78	24	53	14	4	10	3

Losses incurred by unprofitable enterprises not fulfilling plans have decreased tenfold. The share of enterprises overfulfilling their financial plans increased from 58% in 1956 to 72% in 1958.

Under the territorial system of management not only absolute profits but their rates of increase have been growing.

The Growth of Profits in Soviet Industry

	Increase for the Year	
	in million rubles	in %
1956	60.9	5.0
1957	75.9	24.6
1958	99.3	30.9
1959	120.0	over 20

The rise of profits has increased the level of profitability from 8.3% in 1957 to more than 10% in 1959. An important feature of industrial development in the past few years is the growing r of increase in the profitability of heavy industry

Thanks to this and to the growth of accumulation, the republics and the economic councils ar acquiring ever increasing sums which they use expanding housing construction and materially r warding workers. In 1959, out of the planned profits of 219.5 billion rubles the economic cou cils and enterprises received 67 billion rubles, almost 50% more than in 1957.

The territorial system of management has ex tended the credit system in the national econom and created possibilities for a more effective u of credit as an important source of circulating tal. The balance of the State Bank's credits in- vested in the national economy came to 243.6

on rubles at the beginning of 1957 and to 418 on rubles at the beginning of 1960. Credit in- ments for new technology rose from 2.9 billion es in 1956 to 4 billion rubles in 1959.

ork on the comprehensive mechanization and mation of production operations and the intro- ion of the latest achievements of science and nology is being extended in all economic areas. e than 4,000 important measures — 50% more in 1958 — were undertaken in 1959 to create introduce new technology. There were more 1,500 mechanized production and conveyer s and about 250 automatic and semi-automatic lines installed in the economic councils' enterprises in 1959. Over 2,000 new types of machinery and equipment — approximately 10% more than in 1958 — were built. The economic council's enterprises mastered the production of more than 400 important types of machinery and materials and at the same time stopped manufacturing many technically obsolete types of products.

The economic councils are doing a big job in modernizing equipment at their industrial enterprises. The number of units of equipment modernized are given below:

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	1957	1958	1959
Metal-cutting lathes	26,214	31,185	Over 50,000
Forge and stamping machines	3,716	6,193	

he territorial system of management ensures a er utilization of equipment, raw materials and plies. In the early phase of the economic coun- s activity about 30,000 units of unused equip- t were disclosed and installed.

echnical and economic indices of industrial ration improved in the three years. In ferrous allurgy average daily output per square meter ne open-hearth furnace rose from 6.8 tons in 6 to 7.5 tons in 1959. Blast furnace efficiency eased from 0.74 in 1956 to 0.77 in 1959. The ed of oil drilling per machine in the Russian eration increased from 938 meters a month in 5 to 1,191 meters in 1959 (first half of the year). ne coal industry the average monthly advance ne face rose from 28 meters in 1956 to 36.5 meters in 1959 (first half of the year).

The establishment of economic councils accelerated the fulfillment of the construction program. The volume of construction and assembly work in 1957-1959 was 46% above that of the preceding three-year period. Some 2,600 large industrial enterprises were commissioned in three years. Large-scale housing construction was started throughout the country and in most areas the plans are being overfulfilled.

The three years brought a change in the dynamics of unfinished construction; its share in the total sum of capital investments decreased considerably, as may be seen from the following data:

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	1957	1958	1959
Volume of capital investments by state and cooperative organizations (excluding collective farms, in billion rubles)	215.8	245.1	275.0
Volume of unfinished construction at actual cost, end of year (in billion rubles)	176.1	174.9	188.8
Unfinished construction (in % of annual volume of work)	81.6	71.3	68.7

Labor productivity in construction in 1959 was 20% above that in 1957. While prior to 1957 most of the building organizations worked at a loss, after the organization of the economic councils the cost of construction and assembly work has been decreasing systematically. In 1958 it dropped by 1.5%, saving the state 9.2 billion rubles. In 1959 it decreased by another 1.4%. In 1958-1959 the economic councils and designing organizations revised building plans and estimates and reduced them by 29 billion rubles by eliminating extravagance and duplication.

The new conditions of management eliminate the scattering of building organizations. In the economic councils of the Russian Federation the number of small building organizations has decreased tenfold. Conditions have been created for a more effective utilization of material and technical resources and manpower.

Industrial building methods are being used on an increasing scale. The output of prefabricated reinforced concrete parts almost trebled in the three years under review, totalling 25,000,000 cubic meters in 1959. Large mechanized enterprises manufacturing such parts have been built in every economic administrative area, and district specialized repair workshops are being set up to service construction sites.

The rapid growth of industrial output and the expansion of construction, as well as the increase in accumulation, are rapidly increasing the national income. In 1957 the Soviet Union's national income grew by 6%, in 1958 — 9%, in 1959 — 8%. In 1960 the planned figure was 9% and the total national income was to reach 1,450 billion rubles, or 36% above that of 1956.

The increase in the volume of output and the rise in the productive and financial indices in industry and construction are predetermined by profound qualitative changes wrought by the introduction of new techniques and better utilization of equipment, raw materials, fuel and electric power. This is a result of closer ties between the management and enterprises, the vast organizational work done by local Party and Soviet organizations, and the creative participation of the broad working masses in the struggle for the overfulfillment of plan.

Much has been done in the sphere of invention and rationalization in the years since the reorganization of management in industry and construction. The number of inventors and rationalizers increased from 1 million in 1956 to 2 million in 1959. The savings obtained from the introduction of rationalization proposals in industry came to more than 11 billion rubles in 1959 as against 7 billion rubles in 1957.

The training of skilled workers has improved with the establishment of economic councils. Instead of departmental educational institutions the economic councils are building up a centralized educational network in accordance with the peculiarities of the economy of each given area.

The territorial system of management brings research, building and designing organizations closer to production and involves local research institutes in the solution of vital problems of technological progress. A new geography of the country's research institutes is in the making. Large research institutes have been set up in Gorkiy, Cheliabinsk, Stalingrad, Novosibirsk and other cities. Economic councils are establishing experimental and research workshops at enterprises, enlarging and strengthening designing bureaus. Many economic councils have set up economic laboratories. Workers are taking part in industrial management through the technical and economic committees of the economic councils, a new form of worker participation in management.

Development of Progressive Forms of Organization of Productive Forces

General indices of the development of industry and construction do not suffice to assess the economic effectiveness of the territorial system of management. To do so it is necessary to analyze the sum total of economic indices which reveal the specific nature of the influence which the territorial system exerts on the development of the country's economy.

The new system of management has created conditions for accelerating the social division of labor in all its forms. It has furthered the concentration of production and widened the scope for the development of such progressive forms as specialization, cooperation and combined production.

In three years the economic councils have consolidated more than 2,000 industrial enterprises. The process of increasing the concentration of output on the basis of district economic organization has spread to all branches of industry. The implementation of these measures has led to an increase in the volume of output and made it possible to achieve a considerable economy of manpower and funds. As a result of the amalgamation of technically related enterprises the economic councils of the Russian Federation have reduced the managerial apparatus by 17,000 people with an aggregate annual payroll of 180 million rubles.

A big job is being done in all areas in concentrating widely scattered auxiliary, transport and repair enterprises employing over 7,000,000

kers. The economic councils are reorganizing e enterprises on a district basis, centralizing output of equipment, establishing district repair s, etc. According to sample statistical data the entration of service and auxiliary enterprises made it possible to release 10 to 18% of the kers and transfer them to basic production .

ne process of concentrating the country's elec- power economy has been stimulated by the es- shment of economic administrative areas. er the departmental system of management the ber of small stations constantly increased. In the number of stations of less than 500 kw. led 100,000, and many of them were built in the s of regional power systems — Moscow, erovo, etc. Estimates show that the power rated by small isolated stations, which account about 17% of the total, costs twice as much as produced by stations operated by the former R Ministry of Electric Power Stations.

ne economic councils organize centralized pow- upply on a district scale. In 1957-1959 the cow Regional Economic Council dismantled 16 ll uneconomical stations, including those at the okovsk Textile Mill and the Dorokhovo Glass ory, and switched these enterprises to the cen- power networks. In the Lithuanian SSR 20 rict centers were switched to the central net- ks. Schemes for rational power supply on the s of district networks have been worked out ywhere.

ne new system of management has opened up d opportunities for the combination of produc- units. In the three years reviewed here the omic councils have built new metallurgical, ro-chemical, oil-chemical and timber-chemi- ombines interconnected by the integrated proc- ng of raw materials or by unity of technological esses, etc. The combination of enterprises by conomic councils has proved to be an impor- factor in utilizing internal production reserves. organization of the Nizhni-Tagil and Serov llurgical combines by the Sverdlovsk Econom- uncil and of the Karabash combine by the iabinsk Economic Council made it possible to more than 1,500,000 rubles on administrative nses per year, to make more comprehensive f raw materials and improve the organization xiliary services. The East-Kazakh Economic cil is amalgamating nonferrous metal enter- s. Mining and chemical combines have been lished in the Armenian SSR, amalgamation of hemical enterprises is proceeding apace in the area, North Caucasus, etc. New forms of gamation have appeared in the food industry and they have been highly effective. The fourteen new sugar refineries now being built in Kuban, with workshops processing milk, poultry, vegetables and fruit, are yielding a saving of about 200 million rubles though only the first section of the construction has been completed as yet.

At the same time, the economic councils are developing production specialization in industry. A sample study made by the USSR Central Statistical Administration at 650 enterprises in 1958 showed that more than 80% of the production specialization measures were undertaken in the latter half of 1957, after the establishment of economic councils. Industrial specialization is being extended.

It is being implemented in the districts primarily through the adjustment of specialization in separate items. Having determined the conformity of the produce manufactured by each enterprise to its production characteristics, the economic councils have reduced the lists of items for each enterprise by improving the distribution of their production among the enterprises in the area and relieving specialized enterprises of manufacturing goods outside their sphere.

One important trend in the development of industrial specialization is the establishment of district bases for mechanized processing and auxiliary production — foundries, forge shops, tool-making shops and rolling mills, as well as bases producing plastics, packing materials, oxygen, and many other types of produce for mass industrial uses.

The specialization of enterprises run by the economic councils is being implemented mainly with the aid of internal reserves, without large capital outlays. The measures undertaken have already produced a substantial economic effect. Specialization at the enterprises of the Moscow Economic Council has made it possible to reduce production costs by 100 to 120 million rubles, increase annual output by several hundred million rubles, and cut cross hauls and irrational hauls by 15 to 20 million ton-kilometers. Specialization in the output of rolled metals and props by the Stalino Economic Council is saving 150 million rubles a year. At the enterprises of the Kiev Economic Council specialization in the production of 27 types of goods is saving about 93 million rubles a year.

The territorial system of management has led to the development of more economical ties in the national economy, to growing cooperation among the enterprises of a given area. In the Russian Federation the volume of shipments in 1958 was 8% above that of 1957, with intraregional shipments increasing 10% in the same period. The

requirements of the economic areas for diverse items of mass industrial consumption, as well as for building materials, are to a considerable extent being satisfied by the development of regional industry using local resources. Thus, intraregional shipments of iron and steel castings and forgings rose from 29% of the total volume of shipments in 1957 to 47% in 1959. With the building materials industry developing apace in the localities, the relative weight of interregional shipments of bricks, stone, cement, etc., have dropped noticeably.

Closer intraregional production ties among enterprises have improved the index of average length of freight hauls by rail. While in the three years prior to the establishment of economic councils the average length of hauls increased by 39 kilometers (by 5%), in the three years after than (1957-1959) it remained stable, although the volume of railway freight carried increased by 17.5%.

The problem of specialization in the economic areas is being solved on a new basis. Proceeding from the concrete economic and natural conditions, the economic councils are intensifying economic specialization in the areas, giving priority to the development of those branches of social production for which the most favorable natural and economic conditions exist, ensuring production with the least expenditure of labor and funds. In the Moscow Regional Economic Area the leading branches are machine-building and metal-processing, which account for 34% of the economic council's gross output, as well as the textile industry which produces 42% of the total. On the proposal of the economic council, the share of machine-building will be raised to 40% in the Seven-Year Plan period. The output of industrial equipment and automobiles will grow, mainly through the reconstruction and enlargement of existing enterprises. It has also been recognized that it is economically unprofitable to develop the timber industry in the area and it will be transferred to the areas which abound in timber.

Along with the promotion of specialization in the national economy, the economic councils are doing a big job in strengthening the elements of diversification in the development of the economy in the economic areas. The tasks of diversified economic development, naturally, are most fully solved in the large economic and geographical areas. At the same time, as experience shows, diversified economic development is an important prerequisite for raising the efficiency of the territorial organization of the national economy. Around the various specialized branches the economic councils are building up interconnected enterprises, building industry bases, and using local raw material resources on a greater scale.

A multi-branch production complex is being s up, for instance, in the Karaganda Economic Are At the beginning of the Seven-Year Plan period 82% of industrial output in the area was accounte for by the mining industry and only 18% by the manufacturing industry. The processing of ores is lagging and machine-building is not sufficientl developed. Large amounts of mining equipment and materials are brought in from the Ukraine a the country's central areas. Besides using the natural riches of Central Kazakhstan on a growi scale in the seven-year period, the economic co cil is to a large extent eliminating the dispropor tion between the mining and manufacturing indus tries. It is building up a large metallurgical bas developing the production of mining equipment a construction machinery, enlarging the ore concentrating industry, creating a complete metallu cal cycle at the Dzhezkazgan combine, building t Central Kazakhstan power grid and solving the water problem. As the result of integrated economic development, the Karaganda area will pla much bigger role in the interregional division of labor. The volume of its industrial output will i crease by 3.6 times. The area will not only sup the national economy with coal and unprocessed ores, but will also produce nonferrous metals, aluminum, ferrous rolled metals, ferro-alloys, synthetic rubber, chemicals, as well as certain types of mining equipment.

Enterprises formerly divided by departmental barriers are being turned into interconnected pr duction complexes. For instance, out of enterprises specializing in different items and operat by different departments (a watch factory, carbu tor and other plants) the Leningrad Economic Co cil has set up a complex of interconnected instru ment-making enterprises.

An important aspect of integrated economic de velopment in the economic areas is the coordina development of industry and agriculture. The te ritorial system of management produces new re tionships between industry and agriculture. The economic councils organize production of agricu tural tools on the spot, set up repair shops and produce fertilizers. At the same time the volum of output of agricultural raw materials is increa ing rapidly and they are being processed more and more in the areas of their origin.

The territorial system of management in indu try and construction makes it possible to better utilize the various natural resources and to thoroughly study them and the productive forces each economic area. In Tula Region, for instan the economic council is conducting surveys not only of coal, but also of iron and aluminium ore

k salt and various building materials — gypsum, estone, clay, sand and gravel. In Orel Region, economic council has found and is exploiting 117 estone deposits and 43 dolomite deposits. In m Region, a geological trust has been set up on initiative of the economic council. The geolo- s are studying the deposits of bauxite and chro- e ores, cupreous sandstone, phosphorites and er minerals. The Kherson Economic Council is ng a great deal of work on developing the salt ources of Sivash.

ntegrated economic development under the terri- al system of management is attended by an im- vement in the intradistrict distribution of pro- tive forces and by an accelerated development roduction in Eastern areas. Construction of enterprises and reconstruction of existing ones o planned by the economic councils as to make best possible use of the areas's economic and ral resources. In particular, the economic ncils are also beginning to build enterprises in ll and medium-sized non-industrial towns, king use of the manpower and housing available e. In Smolensk Region the economic council is elerating industrial development in such towns Roslavl', Gzhatsk and Vyazma. The enterprises t here include machine-building plants, building erials factories, light and food industrys' enter- es. In Lvov Region, new machine-building nts, light and food industry enterprises are g built and expanded in Rovno, Ternopol and ovolynsk. New industrial centers are growing dly in the Azerbaijan SSR. They include Sum- , Mingechaur and Dashkesan. Large industrial rprises are being built in the immediate vicin- of raw material and power sources, in areas unding in manpower.

iversified economic development is by no means gned to ensure self sufficiency in all types of duce in these areas. It aims at productively and nomically interlinking the various branches of economy of the given area with a view to cre- g conditions for raising the level of the whole onal economy. Attempts to set up comprehen- isolated economies, the desire to have every possess everything "of its own" are harmful, hey may lead to the appearance of small, ly mechanized enterprises with high production s, to a dispersal of funds. That is why it is ssary to oppose the incorrect, narrow concep- of a diversified economy as a comprehensive ated economy.

Certain Questions of Further Improving the anization and Planning of the National Economy

he three years' experience accumulated by the economic councils has shown that the territorial system of management in industry and construction is effective. At the same time it shows that the great possibilities available in the national economy under the new conditions are not being fully used by far.

There are serious shortcomings in the assimilation and introduction of new technology, in mechanization and automation of production methods. Some economic councils procrastinate in reconstructing enterprises and modernizing equipment and are very slow in mastering new technological processes. All this retards the rise of labor productivity and the reduction of production costs. That the possibilities for reducing production costs are not used is shown, for instance, by the differences in the costs of the same items produced by different enterprises. For instance, a DT-54 tractor manufactured by the Altai Tractor Works in 1958 cost 22,500 rubles, by the Stalingrad Tractor Works — 14,600 rubles and by the Kharkov Tractor Works — 14,100 rubles. The cost of a TE-3 diesel locomotive at the Kolomna Works comes to 1,304,000 rubles, at the Kharkov Works — 1,153,000 rubles, and at the Lugansk Works — 1,209,000 rubles. Better utilization of fixed capital, reduction of losses of working time, and a decrease of spoilage will considerably increase output and cut costs.

There are many problems still unsolved in the sphere of specialization and coordination in industry. The production of a number of similar and homogeneous items is still dispersed among many non-specialized enterprises. In undertaking specialization and coordination, some economic councils reckon very little with the requirements of other areas. As calculations reveal, further industrial specialization, especially technological, is economically justified if undertaken along with the development of interregional specialized enterprises relying on groups of economic administrative areas.

The new system of managing the economy has created possibilities for developing a new system of interregional ties which will increase the economic efficiency of the territorial organization of the national economy. In improving industrial coordination the economic councils have performed a big job in the past three years. But some of the shortcomings born in the days of departmental management persist to this day. There are still irrational shipments.

Serious shortcomings exist in the system of material-technical supply. There are still cases of certain economic councils and enterprises failing to fulfill cooperative delivery plans.

Elimination of these shortcomings is the chief task confronting the economic councils and planning organizations. At the same time attention should be paid to the further improvement of the organizational forms of management in industry and construction. This is required by the rapidly developing productive forces.

The economic administrative areas in the USSR were set up on the basis of the prevailing administrative divisions, with due consideration the level of industrial development in the region territories and republics. Eighty-five of the 10 economic administrative areas of the Soviet Uni contain more than 100 large enterprises each. Most typical are those containing between 140 a 300. Below is a grouping of economic administr tive areas according to the number of workers a enterprises.

Number of industrial workers at enterprises run by economic councils	Number of areas	Average number of enterprises in the area	Share of group of areas (in %)	
			in total number of workers of all economic councils	in gross output of industries of economic councils
7,000- 25,000	17	56	2.4	3.6
26,000-100,000	47	149	22.6	22.5
101,000-300,000	30	327	42.4	40.2
upwards of 301,000	8	430	32.6	33.7
Total	102	about 245	100	100

On the whole, the new system of economic administrative areas constitutes a firm base for managing and planning the Soviet Union's national economy. This, however, does not preclude its further improvement. In spite of considerable differences in the scale of production, the overwhelming part of the economic administrative areas are of the same type. These are the key areas and their nuclei, as a rule, are industrial settlements or major industrial centers. With the development of productive forces, with the establishment of new industrial settlements, new economic administrative areas are bound to be formed, especially in the eastern part of the country. At the same time it is not to be excluded that some of the economic administrative areas, especially in the European part of the USSR, will be consolidated — areas that have similar industrial characteristics and economic problems and are closely interlinked. These measures, however, should be carried out after a thorough study of the problem, and especially after the study of the long-range prospects for the areas' development.

An important prerequisite for perfecting the whole system of national economic planning in the USSR is the improvement of the organization and methods of planning in the economic administrat areas and the coordination of their economic development within the major economic areas.

The elaboration of the industrial development plans by the economic councils in different economic administrative areas is a big step forwar in perfecting national economic planning. Prior the establishment of the economic councils, the job of drawing up plans at the enterprises and co struction sites was done by dozens of departme In Stalingrad Region, for instance, it was done b more than 50 Union Republic organizations. No these plans are worked out at the enterprises w the participation and assistance of the economic councils.

The organization of the economic councils doe not, however, solve the problem of elaborating a unified plan embracing all the branches of produ tion and all types of economic activity on the te tory of each economic administrative area.

The economies of the economic administrativ areas, distributed among many departments and organizations, are not yet sufficiently coordinat economically. Thus, the output of building mate rials in each area is planned by the economic council, regional planning committee, ministry

other departments, with no account taken of the irements of the whole economy of the area in eral. Unified area balances of production and sumption of building materials are not being ked out. For this reason there are still irra- al intraregional and interregional shipments of ks, crushed stone and other building materials. re is no unified plan for housing, community vices and transport in the economic administra- areas. Yet, their interests require the elabora- of a unified, integrated economic development in each area, one that provides for industrial s, agriculture, housing, community services, integrated utilization of natural resources nerals, water, timber, etc.), transport, and so

tegrated plans should ensure the economic de- pment of the areas as component economic s of the national economy based on a carefully cted combination of economic branches within area, and resting on solid economic ties. Uni- plans may be worked out jointly by regional ning committees and the planning bodies of the nomic councils. To prepare a unified plan it ecessary to thoroughly study all the branches ne area's economy and to enlist the broad, cre- e assistance of workers, engineers, technicians scientists.

f considerable importance for planning the s' economic development are the schemes of rict planning which are providing the opportuni- for a rational and interconnected distribution nterprises, towns and workers' settlements. se schemes will enable us to avoid unproductive enditure on the construction of duplicated installa- s and facilities and to build in accordance with ified plan envisaging better and healthier work- living and leisure conditions for the population. roper elaboration of these plans will make it ible to find new productive potentialities and ct the best variants for the development and ribution of new enterprises and cultural and ic health institutions.

ch plans are already being worked out. The iy economic administrative area worked out a ed plan for housing and cultural construction in . The preparation of coordinated, unified, -range plans will make it possible for each area ke the most effective possible part in the na- wide division of labor and in the development e most rational territorial distribution of enterprises on the basis of the latest technology.

It should also be noted that as the result of the further territorial division of labor there will be, in addition to the economic administrative areas, large economic areas tackling economic problems of nation-wide import and developing specialization and cooperation in production. The economic administrative areas are the component parts of the large economic areas. Life itself has made it necessary to coordinate the activities of the economic councils in large areas.

The coordination of the activities of the economic councils requires the elaboration of comprehensive plans in the large areas for the production and consumption of metals, electric power, building materials and other types of produce, the coordination of interconnected branches, the creation of the most economical proportions between industry and agriculture, between the mining and processing industries, between intraregional and interregional ties, and the elaboration of chessboard balance sheet tables of interregional ties.

The large economic areas are the territorial basis for the elaboration of long-range plans for the development of the country's productive forces embracing whole groups of economic administrative areas. On this basis, the central planning bodies will be able to select the most effective and economical variants for developing the country's productive forces.

The extremely rapid development of the productive forces thus confronts the system of planned economy with ever new problems. A creative approach to these problems and the perfection of the methods of planned economy are necessary to create the material and technical base of communism, to solve our basic economic task and to steadily raise the material and cultural level of the working people.

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Footnotes

(1) N. S. Khrushchev, On the Further Development of the Collective Farm System and Reorganization of Machine and Tractor Stations, State Political Literature Publishing House, 1958, p. 6 (Russian edition).

(2) V. I. Lenin, Collected Works, Vol. 27, p. 181 (Russian edition).

Pravda, December 25, 1

USSR Ministry of Finance and the Board of the USSR State Bank: On the Procedures for Currency Exchange Payments and Accounting in Connection with the Change to a New Price Scale as of January 1, 1961

In accordance with the decision of the Party Central Committee and the USSR Council of Ministers, beginning with January 1, 1961, a new scale of prices will be introduced and the currency now in circulation will be changed for new currency at the rate of ten rubles of old money per one ruble of new money.

The new money put in circulation as of January 1, 1961, will be of the following denominations: 1961 issues of USSR State Bank notes of 10-ruble, 25-ruble, 50-ruble and 100-ruble denominations; currency notes of 1-ruble, 3-ruble and 5-ruble denominations; new coins of 1-kopek, 2-kopek, 3-kopek, 5-kopek, 10-kopek, 15-kopek, 20-kopek and 50-kopek denominations; and 1-ruble coins.

Old money will be accepted by all state, cooperative and public enterprises, establishments, organizations, collective farms, and persons until March 31, 1961 (inclusive), for all types of payments, as well as by banks, savings banks and postal establishments as investments for deposits, current accounts, balance accounts, postal money orders and letters of credit without any restrictions at the rate of one-tenth of their nominal value.

In addition, the establishments of the State Bank during the first quarter of 1961 will accept, without any restrictions or limitations, from the population, state, cooperative and public enterprises, establishments, organizations and collective farms all old banknotes, currency notes and coins in exchange for new money at the rate of ten rubles of old money per one ruble of new money.

In order to make money exchange more convenient for the population the USSR State Bank will open a broad network of currency exchange points at enterprises, construction projects, establishments, organizations, postal establishments and places specially allotted for this purpose. The local establishments of the State Bank will inform the population about the location of the currency exchange points and their periods of operation.

The exchange of old money for new will take place throughout the USSR until March 31, 1961 (inclusive). The currency exchange centers of t State Bank will begin functioning on January 1, 1961.

Thus, every citizen will be able to exchange a the old money in his possession for new money his convenience.

The old money will become valid after April 1 1961.

From January 1, 1961, new wholesale and ret prices for commodities, purchase and delivery prices for agricultural products, rents, and rat for all public, transport, municipal, communica entertainment and other services will be introdu all these prices, rents and rates have been reca culated in conformity with the new price scale o a 10:1 ratio. All shops, stores, stalls, dining rooms, restaurants, refreshment counters, publ service establishments and other establishment and organizations providing catering services f the public, have been provided with new commo price lists and services rates and are obliged t strictly conform to them.

Bills for rent, communal services and charge for the use of telephone, radio, etc., made out b fore January 1, 1961, are to be recalculated on 10:1 ratio if payable after January 1.

From January 1, 1961, all factories, offices, organizations, and collective farms will pay the employees and collective farmers for work don or services rendered on the basis of new wage scales, piece rates, salaries, service pay fees, emoluments and royalties, bonuses, and other c gories of payments for labor expressed in fixed

– all rescaled on a 10:1 ratio. From January nsions, grants and stipends will also be paid n sums recalculated on a 10:1 ratio.

l sums specified in contracts dated prior to ary 1, between factories, offices, organizations, collective farms, on the one hand, and individual ens, on the other, or between individual citi-, as well as debts outstanding on January 1, be recalculated on the basis of ten old rubles ne new one.

e population's deposits at the savings banks gencies of the USSR State Bank, including the of interest for 1960, are to be recalculated on a ratio when carried forward on January 1, 1961. sitors do not have to appear at the savings s or branches of the USSR State Bank for this ose. The revalued balance of the deposit will egistered in the account of every depositor and s saving bank book or deposit book upon his first at the savings bank or agency of the State Bank January 1, 1961, to deposit or withdraw money his account.

l sums deposited on letters of credit before ary 1, 1961, will be honored after January 1 in rmity with the new scale of ten old rubles for ew one.

l cash accepted before January 1, 1961, for l and telegraph money orders will be paid out January 1, likewise on the basis of ten old s for one new one.

e face value of bonds of the 3% state internal ry loan is to be recalculated on a 10:1 ratio. will be done without exchanging the bonds or ing them in any way.

e face value of bonds of all state loans floated bscription will be revalued in the same manner. n January 1, 1961, bonds of the state internal y loan will be freely bought and sold at the sav-banks as now, with the exception that bonds of 00-ruble denomination will be worth 20 rubles w money and bonds of the 100-ruble denomina-vill be worth 10 rubles.

nning bonds of the 3% state internal lottery loan and the 1957 state loan for the USSR's economic development drawn in lotteries held after January 1, 1961, will likewise be recalculated on a 10:1 ratio. As for winning bonds of all state loans and lotteries drawn before January 1, 1961, but not claimed before this date, they will be honored after January 1 at a tenth of their face value.

Premiums under obligatory state insurance and under all policies insuring property and life concluded before January 1, 1961, are to be revalued on a 10:1 ratio; insurance indemnities and insurance payments due are to be revalued accordingly.

All payments due from the population for taxes and duties, including arrears, are likewise to be recalculated according to the specified ratio from January 1, 1961.

All debts outstanding on January 1, 1961, under loans for housing construction and the acquisition of household property, loans for resettlement and the acquisition of cattle that were granted by agencies of the State Bank and the Construction Bank, or by agencies of the former communal banks and Agricultural Bank; loans from pawnshops, mutual aid funds, all other categories of loans, as well as the rates of interest on these loans that are still outstanding, are to be recalculated on a 10:1 ratio. Loan repayment schedules do not change.

All money due individual citizens from factories, offices, organizations and collective farms, but not claimed before January 1, 1961, is to be paid from January 1 on the basis of one new ruble for ten old ones. All debts incurred before January 1, 1961, by individuals to factories, offices, organizations and collective farms are to be paid in the same fashion.

All categories of cash debts among individual citizens, including alimoney, are likewise to be recalculated on a 10:1 ratio from January 1, 1961.

In recalculating all sums due under payments and debts, fractions of a kopek involved in the transfer to the new price scale are to be ignored if less than half a kopek, or counted as a full kopek if half a kopek or more.

KRONROD (Continued From Page 36)

s saved by eliminating payments to the work-or which it substitutes, while the profit which ains from exploitation of the workers using machines Marx is alleged to have left out of deration. Upon this assertion, which is utter-hout foundation, they base their crusade st the familiar principal of the limits of em-g machines under socialism. However, Marx ll labor – necessary and surplus – employed utilization of a given machine into considera-providing his solution to the problem of s in labor outlays or the limits upon the uction of machinery.

(28) See articles by A. Kulikov (Voprosy Ekonomiki, 1958, No. 8) and A. Maizenberg (1957, No. 7).

(29) This is asserted particularly by A. Kulikov (Voprosy Ekonomiki, 1958, No. 8) and M. Sakov (1957, No. 12).

(30) The question of the possibility, necessity, and practicality of methods of determining value has been discussed by the author in the symposium Problemy politicheskoi ekonomii sotsializma, to be published by Gospolitizdat in the near future.

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